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D 8523 B

Dismal outlook for some less developed countries, Page 16

NEWS SUMMARY

GENERAL

Hope for British pit strike

Talks between Britain's National Coal Board and miners' union over the 11-week pit strike looked likely to resume last night, as all sides moved sharply back from name-calling to conciliation.

A rift has opened up between board chairman Ian MacGregor and senior board officials over his handling of a meeting on Wednesday with the union, and miners' leader Arthur Scargill has reacted enthusiastically to a letter from deputy chairman James Cowan offering talks on the industry's future.

The dispute is costing the Government about £70m (£97m) a week, "nipplesant but manageable," a senior analyst said. Page 9

Bombay toll rises

Eight people died when security forces fired on Hindus and Muslims fighting in Bombay. It brought the death toll in a week of sectarian violence to 193.

Salvadorans guilty

A Salvadoran court found five national guardsmen guilty of murdering four U.S. church women in 1980.

Killing applauded

South African Supreme Court judge Irving Slegn cleared a white man of murdering a black who allegedly stole £3c (U.S. 81c) milk money outside his house, saying he deserved a medal for ending a spate of petty theft.

Life poll violence

Several hundred youths throwing stones, bottles of acid and petrol bombs tried to storm a European Parliament election meeting in Lille addressed by ultra-rightwing National Front leader Jean-Marie Le Pen.

Fundamentalist jailed

Moroccan Muslim fundamentalist leader Abdesslem Yacine was jailed for two years for criticising official institutions.

Envoys expelled

Denmark expelled two diplomats who worked in the commercial section of the Soviet embassy in Copenhagen, for industrial espionage.

Romania for Games

Romania said it would attend the Los Angeles Olympics. Cuba, however, joined the Soviet boycott. The European Parliament deplored the boycott and backed proposals to hold the Games permanently in Greece.

French rail strike

French railway staff began a 48-hour strike over demands for shorter working hours, stopping 75 per cent of trains. In Norway, 15,000 civil servants began a pay strike, affecting trains, schools and postal services.

Butter plan

An EEC advisory committee proposed that the Community's 1m-tonne mountain of surplus butter be sold cheaply to its 12.5m unemployed.

Tank sale charges

West German police arrested two Germans, an Iranian and an American for trying to sell 250 U.S. M-480 tanks, apparently to Iran.

Fast food

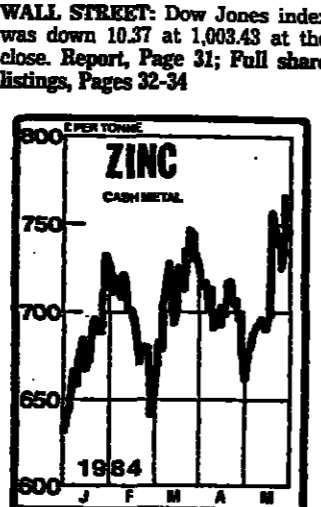
Taiwan police investigating a pigeon race in which 2,000 birds began and five finished suspect the rest were captured in huge nets and sold to restaurants.

BUSINESS

London index falls 21.2 to 826.4

LONDON: rumours of trouble at Manufacturers Hanover depressed financial market trading. Following gilts down, the FT Industrial Ordinary index fell 21.2 - its second-biggest one-day drop - to 826.4, for a three-day decline of 49.8. Details Page 18; Report, Page 35; FT share information service, Pages 36-37

WALL STREET: Dow Jones index was down 10.37 at 1,003.43 at the close. Report, Page 31; Full share listings, Pages 32-34



ZINC cash price surged £30 to a 10-year high of £767.5 a tonne in London as the squeeze on immediately available supplies tightened. Page 40

TOKYO: Nikkei Dow index jumped 228.26, its fourth highest one-day gain, to 10,251.72. The Stock Exchange index added 15.17 at 802.57. Report, Page 31; Leading prices, other exchanges, Page 34

DOLLAR weakened in London on rumours of problems at another big U.S. bank, although its trade-weighted index, calculated before the end of the day, rose 0.8 to 131.8. It was down at DM 2.7455 (DM 2.7505), SwFr 2.2875 (SwFr 2.271), Y231.45 (Y231.6) and Ffr 8.4425 (Ffr 8.4575). In New York it closed at DM 2.7085, Ffr 8.345, SwFr 2.245 and Y230.5. Page 41

STERLING rose 10 points in London to £1.3815, after touching a record trading low of £1.3735. It was weaker at DM 3.795 (DM 3.8), SwFr 3.135 (SwFr 3.1375) and Ffr 11.86 (Ffr 11.875) and unchanged at Y320. Its trade weighting held at 79.5. In New York it closed at \$1.3687. Page 41

GOLD fell \$0.75 in London to \$377. In Frankfurt and Zurich it fell \$3.25 to \$375.5. In New York the Comex settlement for May was \$378.50. Page 40

U.S. money supply, M1, rose \$1.1bn in the latest reporting week. HITACHI, Japanese electrical appliance maker, lifted net profit 12 per cent to ¥83.4bn (\$380m) for the year on sales up 13 per cent to ¥2,648.2bn. Page 20

MITSUBISHI Heavy Industries of Japan raised unconsolidated net profit for the year by 109 per cent to ¥206.9bn (\$822m). Page 20

The editorial content of today's international edition has been reworked because of continuing industrial action by IG Druck and Papier at Frankfurt Societiedruckerei, where the edition is printed. This prevents the publication of late-breaking news, the final Wall Street report and closing U.S. over-the-counter and Canadian share prices. The date on the Section IV survey - Office Property - is incorrect. The section was pre-printed for last Friday's International Edition, which was halted by industrial action by printers in West Germany.

We regret the New York stock price listing in this edition is incomplete due to a transmission failure.

U.S. bank shares fall sharply as confidence wavers

BY WILLIAM HALL AND PAUL TAYLOR IN NEW YORK AND DAVID LASCELLES IN LONDON

U.S. bank shares plunged in New York yesterday with the majority of the major money centre banks hitting 12-month share price lows as signs of a renewed crisis of confidence amongst investors emerged.

The shares of Bank of America, Citicorp, Chase Manhattan, Manufacturers Hanover Trust, Bankers Trust and Crocker National hit new 12-month lows as Wall Street witnessed one of its sharpest sell-offs in bank stock since the international debt crisis surfaced in the Autumn of 1982.

U.S. share prices generally fell sharply yesterday with the Dow Jones industrial average dropping through the 1,000 level before recovering to close 10.37 points down at 1,003.43 - its lowest level since February 1983.

In the money markets traders detected a further wave in the flight to quality which has been occurring since the run on the Continental Illinois Bank, the eighth biggest U.S. bank, two weeks ago. Three-month Treasury bill rates fell 35 basis points, while bank certificates of deposit rates rose 20 basis points.

Nervousness about U.S. banks affected international financial markets, too. Interest rates in the Euro-markets, where banks fund themselves rose by ¼ per cent, while bank share prices dipped sharply on the London Stock Exchange.

One senior Wall Street economist, Mr David Jones of Aubrey Langston, described events yesterday morning as a spillover from the run on Continental Illinois.

Bank shares opened two or more dollars lower in hectic trading on Wall Street following rumours, said to have originated in Europe, that one or more major U.S. banks were experiencing liquidity problems. The banks firmly denied this and said they knew of no reason for the sharp decline in their share prices. Despite these reassuring statements, bank shares were still sharply lower at lunchtime Manu-

factures Hanover Trust, the fourth largest U.S. bank in terms of year-end assets, saw its share price plunge by \$3.50 at one stage before recovering slightly to close at \$27¼ for a fall of \$3¾. The bank said it was "having absolutely no difficulties in its funding."

Problems in Europe began early in the day with reports that a large U.S. East Coast bank was in trouble. These had crystallised round Manufacturers by the time Wall Street opened. Trading was especially nervous in the market for bank certificates of deposit, though traders said Manufacturers' paper had traded at times during the day. The bank still forms part of the

Continued on Page 18
London markets hit, Page 18; Stock markets Pages 31-34

Iranians attack tanker in Gulf

By Richard Johns in London

THE WAR on shipping in the Gulf flared again yesterday, after a week's lull, when Iranian aircraft hit the tanker Chemical Venture off the Saudi Arabian coast.

The attack on the 29,000 dead-weight ton Liberian registered vessel was made yesterday afternoon (18.55 p. m. GMT) and was almost certainly in retaliation for an Iraqi attack against at least one vessel in the vicinity of Iranian ports.

The resumption of "hit-for-hit" hostilities against oil traffic in the Gulf came amid rising hopes that intensified diplomatic activity would halt the escalation of the 44-month-old Gulf conflict.

Earlier yesterday a military spokesman in Baghdad claimed Iraqi aircraft had hit "two large enemy targets." The announcement followed the pledge by President Saddam Hussein of Iraq on Wednesday "not to) retreat from our plan to close the blockade on Kharg Island and strike any tanker within the prohibited zone."

The most likely target of Iraq's attack was the Arizona, a 140,000 dwt Panama-registered vessel which loaded a cargo of crude oil at Kharg Island, Iran's main oil export terminal, on Wednesday.

According to informed shipping brokers it narrowly missed being hit by a missile while south of Kharg Island. The Arizona is understood to be Greek-owned and chartered by Sopotona of Portugal at World Scale 80 - about three times the rate available a fortnight ago. No other distress calls were reported.

Confirmation of the Iranian strike on the Chemical Venture was first given by Lloyds of London. Later the U.S. State Department also confirmed it, saying that Saudi Arabian fighters had scrambled to intercept the Iran F-4 Phantom but failed to make contact.

Saudi naval units were reported to have rescued the crew of the Chemical Venture, which is owned by Pearl Carriers of Monrovia. Three tags operated by Smit International, The Dutch salvage company, left their Bahrain base to assist the stricken vessel.

Lloyds gave its position as 21 miles north-east of the Saudi port of Jubail, but later Smit said the ship was 37 miles east of the coast.

The flare-up yesterday dashed hopes that the high-level Syrian mission sent by President Hafez al Assad to Tehran might bring an end to Iranian attacks on Arab oil traffic in the Gulf.

France calls for closer EEC links

BY JOHN WYLES IN STRASBOURG

PRESIDENT Francois Mitterrand yesterday issued a challenging summons to France's EEC partners to take part in a new effort to deepen political integration in Europe.

Launching an initiative which could well split the Community, the French president called for the adoption of a new treaty to the Treaty of Rome which would extend the EEC's powers in the areas of education, health, justice, security and struggle against terrorism.

He implied that the work should go ahead even if not all member states wanted to take part and that the same exercise should consider moving further in the direction of greater political union.

Delivered in the most significant speech given to the directly-elected European Parliament, Mitterrand's call delighted large numbers of MEPs. Most unexpected was his apparent endorsement of the thinking behind the draft treaty on European union adopted by the parliament in February.

This draft, he said, with the "solemn declaration on European union" adopted by last June's Stuttgart summit should be the basis of preparatory discussions leading to

a conference of "interested member states."

The parliament's treaty sought to strengthen and extend the Community's powers of common action and the parliament's own role in decision-making. The Stuttgart declaration was altogether much more vague because of disagreements between governments although it did seek to improve the framework of political co-operation and relations between the Council of Ministers and the parliament.

M Claude Cheysson, France's External Affairs Minister, said afterwards that France wanted preparations for a conference of governments to begin as soon as possible. The other five founding members of the EEC are bound to respond positively. Of the newer member states, the UK would want to take part, although it is dubious about more political integration. The participation of Ireland, Denmark and Greece would be much less certain.

The Mitterrand initiative is the first formal attempt to bring about the Community of "differing

Continued on Page 18
Lombard, Page 17

Argentina seeking early agreement with IMF

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA expects to have a draft letter of intent to the International Monetary Fund (IMF) ready by the beginning of next month and hopes to reach final agreement by June 15. Sr Leopoldo Portnoy, vice-president of the Central Bank, said this week.

"Our position is quite clear. We want an agreement with the fund as soon as possible, we have no intention of breaking off negotiations which we consider to be proceeding normally," Sr Portnoy said.

Sr Portnoy's statement is the first made publicly by a senior Argentine official to the foreign media since last weekend's communique signed by the presidents of Brazil, Mexico, Argentina and Colombia warning that high international interest rates threatened the trend towards democracy in Latin America.

The move appears intended to dispel fears that the tough Latin

American position on the issue of U.S. interest rates could tempt Argentina into rejecting the IMF as a key element in the renegotiation of some \$20bn of payments falling due this year.

Backing up Sr Portnoy's statement, Sr Bernardo Grinspun, Economy Minister, told parliament that an agreement with the IMF was the "most convenient" option for Argentina since breaking off negotiations would make it very difficult for Argentina to negotiate better terms with commercial banks, which would probably declare the country "substandard."

However, Sr Grinspun replied to tough questioning from the opposition Peronist party with a warning that Argentina would not accept any modification of the terms and targets of its letter of intent, which he confirmed was being prepared.

Both statements contrast with

the views recently expressed privately by some officials at the Economy Ministry who had been suggesting that negotiations with the IMF were close to breaking point because of its "inflexibility" and President Raul Alfonsin's determined refusal to accept excessive austerity.

Sr Portnoy confirmed that the Argentine Government expected the budget deficit to average out this year at about 10 per cent of GDP, two points above the original official forecast.

IMF officials have been proposing that the deficit should be reduced to as low as 8 per cent of GDP. Sr Portnoy said, however, that he expected the IMF board of directors to accept Argentina's argument that "it's best to agree on targets that we realistically think we can stick to than to break our promises as in the past."

Japan likely to raise interest rates in liberalisation package

BY MAX WILKINSON, ECONOMIC CORRESPONDENT, IN TOKYO

JAPAN'S EFFORTS to liberalise its financial markets are likely to raise domestic interest rates and could squeeze bank profits, a senior official of the country's central bank said yesterday.

Mr Takeshi Ohta, director of the Bank of Japan's foreign department, was discussing the measures which now appear to have been agreed with the U.S. Administration during talks which ended in Rome this week.

The package will be announced on May 29, in time for the London economic summit. However, Mr Ohta made it clear that the domestic need to allow interest rates to rise was at least as important as any pressure from the U.S.

"This reflects the problem faced by the Japanese Government in refinancing a large 'bulge' of maturing debt in 1986, in addition to its budget deficit."

At present the Japanese Ministry of Finance is able to fund its debt at below market rates by selling bonds to the Bank of Japan, which then offloads them on to the commercial banks. But this peculiarly Japanese

system is not expected to survive the strain of large official demands for credit over the next few years.

Mr Ohta said Japan's other aim in acceding to U.S. requests is to improve the vigour and competitiveness of its own financial institutions, even at the cost of squeezing banks' profit margins in the short-term.

"We are going to be given an international ticket. Our goal is to make Tokyo like the City of London, so we need a completely liberalised onshore market," he added.

Mr Ohta said that Japanese capital was flowing at a gross rate of about \$1bn per month into the U.S. as much of it into U.S. Treasury bonds. This was a result of the high level of interest rates in the U.S. relative to those in Japan. A more liberal financial regime, with higher Japanese interest rates, would help to staunch the flow of capital across the Pacific, when Japan's Government funding needs became acute.

In spite of the fanfare with which the U.S. and Japanese Governments have heralded this package, Mr Ohta made it clear that the

process of liberalisation is likely to be gradual, with initial focus on domestic interest rates.

He said the bank would be worried by any "excessive liberalisation" of the yen through expansion of the European market. This would make the yen more volatile and create difficulties in controlling the domestic money supply.

For this reason it is expected relaxation of restrictions will apply only to the issue of short term yen-denominated certificates of deposit in the Euro-market.

Japan appears to have turned down a U.S. demand that it should lift the 20 per cent withholding tax on European interest payments, but more flexible rules for conversion between yen bonds and those in other currencies could help to reduce the burden of this tax.

The general aim of the measures will be to enable foreign banks to compete for wholesale funds and to allow the creation of a range of short-term instruments.

Lex, Page 28; Pushing hard for new Gatt round, Page 6



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EUROPEAN NEWS

Talks open in bid to end W. German strikes

BY RUPERT CORNWELL IN BONN

MANAGEMENT AND union representatives last night began crucial new talks in Stuttgart on the outcome of which hinge hopes of an early end to the engineering industry strikes in the region.

At the same time, however, employers in the state of Hesse, the second area so far affected by strikes, announced plans to lock out 30,000 workers from next Wednesday.

This is in retaliation for the stoppages involving 33,000 workers since the start of this week, called by IG Metall, the engineering union, in support of its claim for a 35-hour working week.

Technically, the Stuttgart meeting only concerns the North Baden-Wuerttemberg region, where 25,000 men are on strike and a further 65,000 locked out. In fact, however, an agreement there would almost certainly set the pattern for the entire country.

The discussions will be tough and could last several days. Herr Hans Peter Stihl, the employers' chief negotiator, declared last night that, if they did not succeed, then the dispute would escalate dangerously.

Although he again ruled

out a generalised five-hour cut in the working week, Herr Stihl was careful to leave the door open for a compromise. "Flexible solutions for shorter working hours are by no means inconceivable," he said before the talks began.

A separate appeal for a "fair compromise" has come from Herr Gerhard Stoltenberg, the Finance Minister.

In an interview with the mass circulation Bild Zeitung, Herr Stoltenberg warned that the two-week-old strike wave had already prompted some companies to delay investment programmes. A sharp rise in unemployment caused by a long strike might also lead to cuts elsewhere in government spending, he said.

Fresh twist to debate on tax evasion

By Our Bonn Staff

CHANCELLOR Helmut Kohl's coalition government wants tighter regulations against contempt of court to prevent pre-judging of suspects—or at least of the 23 of its party politicians being investigated for encouraging tax evasion.

The proposal, aired before Parliament yesterday and accompanied by heart-warming appeals to the fairness of "anglo-saxon" practice, marked a clever counter-attack in yesterday's highly embarrassing debate over the coalition's failed attempt to bring in an amnesty for tax evasion by donors to political parties.

EEC hints at anti-trust agreement with U.S.

BY OUR BRUSSELS STAFF

THE EUROPEAN Community has signalled to the U.S. that it would be interested in exploring the chances of reaching a bilateral agreement to avoid friction on anti-trust matters.

The signal came yesterday in a speech by Mr Frans Andriessen, the Commissioner in charge of competition policy, delivered in Dublin.

If the formal channel through the Organisation for Economic Co-operation and Development is insufficient, "it could of course be enlarged by bilateral conventions to be negotiated by the Commission on behalf of the Council of Ministers," he said.

This is the first time the possibility has been raised since tentative discussions in the mid-1970s broke down.

The main cause of friction in the past, seen through European eyes, has been the attempt by the U.S. in the anti-trust matters to extend its jurisdiction outside American borders. Dispute reach a dangerous level in the early and mid-1970s over legal actions in the U.S. on issues such as an international uranium cartel and transatlantic shipping.

Letting U.S. attempts to extend its jurisdiction have caused friction over the use of trade controls for foreign policy reasons and the anti-trust issue has taken back seat.

Mr Andriessen's remarks suggest that the European Commission will explore the possibility of seeking a negotiating mandate from the Council of Ministers.

James Buchan meets the Bonn Labour minister in the eye of the storm

Bluem sees no extra jobs in cutting hours

FOR 35 YEARS, Herr Norbert Bluem, a 67-year-old, has paid his dues to IG Metall, the West German engineering union, and would be in line for top strike pay if he were out with his 58,000 colleagues for a shorter working week.

He is not, partly because he is Labour Minister in Chancellor Helmut Kohl's government, and partly because he does not think a cut in the basic working week from 40 to 35 hours would dent unemployment of 2.2m.

Since then, he has been bursting with ideas. Some, like his appeal for a pay freeze last year, fell flat. But his plan to tackle unemployment by providing public funds to help industry take on young workers to replace people retiring at 58 has gained ground among the unions as an alternative to the 35-hour week.

"I am not the sort of bloke who can learn to live with structural unemployment of 1m," he says.

In the engineering industry strike, Herr Bluem sees himself caught between two "fossilised" institutions. Employers have not budged from a 40-hour basic week in pay settlements since 1975, above all because of the pressure of the smaller concerns. "They are not very clever if they are seeking to destroy the trade unions," Herr Bluem says.

On the other side, he sees IG Metall stuck with a view of the working world which is being rapidly overtaken by an industrial revolution.

"They must move away from their 19th century ideas. Assembly-line work has given them almost military notions, the entire workforce moving in step. Solidarity is an instinctive virtue, but industry is changing and they must think in terms of solidarity plus differentiated solutions."

However, IG Metall is also in a dilemma. The government's spending cuts have hit the working man, while the union's 2.6m members have seen a real loss in income in three years of pay settlements. The hostility of some of Herr Bluem's colleagues, including the Chancellor, to the 35-hour week has encouraged the union to take a more political line.

Many in Government think there is quite a lot of steam still to be run on both sides, although Herr Bluem is optimistic. "I think it will be solved this week or next," he says.

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Herr Norbert Bluem: "I am not the sort of bloke who can learn to live with structural unemployment of 1m."

Wave of anti-Craxi protest strikes hits northern Italy

BY ALAN FRIEDMAN IN MILAN

NORTHERN ITALY was hit yesterday by a wave of strikes, some of them inspired by the CGIL Communist labour union to protest at the passage on Wednesday of the Craxi Government's decree cutting the scale mobile wage indexation system.

Industrial activity in Turin stopped for much of the day, as CGIL ordered an anti-Craxi protest strike. Some sectors, such as the textile industry, were hit hard but less than a third of Fiat workers took part in the stoppage.

In Milan, a wage dispute disrupted air traffic at the city's two airports, Linate and Malpensa. Many flights were cancelled and arrivals from the U.S. were redirected to Rome. In Genoa, where the Italian Government's intended steel closures are expected to

result in large scale redundancies, workers at the state-controlled Italsider plant blocked train and car traffic. Train traffic in Rome today is expected to be paralysed by a 24-hour strike related to a pay dispute.

The Italian Senate has voted to approve a new bilateral extradition treaty with the U.S. which could clear the way for the arrival in Italy later this year of Sig Michele Sindona, the Sicilian financier now serving a 25-year prison sentence in New York for fraud and conspiracy in the collapse of the Franklin National Bank.

Sig Sindona is wanted in Italy on charges relating to the 1974 collapse of his Banca Privata Italiana. The U.S. Senate has not yet approved the extradition treaty, but it is expected to do so next month.

Innovation urged in reducing capital needs

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

THE MOTOR industry must be as innovative in its approach to reducing its need for capital as it has been in the recent past in cutting its production costs, says Sig Vittorio Ghidella, managing director of Fiat Auto.

He was addressing the fifth Financial Times World Motor Industry Conference at which it was pointed out by another speaker that the European car producers are only halfway through an \$80bn investment programme for the 1980s and were wondering where the rest of the cash was to come from.

Sig Ghidella said the industry could enhance its self-financing

capability by improving profit margins and by intensifying the improvements in efficiency started in the past few years—such as product standardisation and production rationalisation.

But the industry could do much to streamline the links between suppliers, producers and the distribution networks. Much closer relationships at all stages of the chain could cut stocks and reduce the requirement for working capital throughout the system from component suppliers.

The car producers would have to play the leading role in this process and act as a catalyst,

said Sig Ghidella.

As an example of what already had been done, he pointed to Fiat's method of designing cars so they could be put together from a number of pre-assembled and interchangeable sub-units. This not only allowed for economies of scale but required more from the component industry, which "will gradually grow into an increasingly complex supply pyramid."

At the other end of the chain, he suggested that more should be done to turn sales of products apart from cars to dealers into immediate cash for the manufacturers through the use

of outside financial organisations.

Another method by which the industry could cut costs was suggested by a team from Booz-Allen and Hamilton, the consultancy group. They argued that increased competition in a period of reduced demand had encouraged car-makers during the 1968-1982 period to add more and more models, thus increasing the complexity of the ranges offered.

Booz-Allen had developed a method of measuring the cost of complexity—a cost which turned out to be nearly all the

\$2,100 increase in the real cost of an average U.S. car since 1968.

The relative lack of complexity of Japanese cars compared with U.S. ones accounted for \$800 of the \$1,500 cost advantage enjoyed in the U.S. by Japanese cars.

Other work by Booz-Allen showed that most buyers were willing to accept less choice in the features or options offered by a car and that dealers arranged their vehicle stocking practices accordingly.

It was pointed out, however, that each individual car-maker would have to make its own decision about what was the right balance between product variety and production simplicity.

Mr John Day, president, Bendix Group Allied Automotive, said his company estimated that about 20 per cent of its 220,000 active part numbers are redundant and resulted from unnecessary product complexity. That seemed to suggest that Bendix was incurring excess costs of roughly \$44m.

Much of the saving from a reduction in complexity in the components industry would be passed on to the manufacturers and customers, said Mr Day.

Mr Day said an informal organisation of 66 leading companies called Automotive Industry Action Group had developed guidelines for reducing complexity which should cut the price of a U.S. car by \$500 in the next 5-10 years.

Mr Francois Perrin-Pelletier, a member of the Peugeot Directorate, pointed out that car makers were often forced by legislation to introduce further complexity to their vehicles. For example, if the European Commission forced manufacturers to fit catalytic converters to cars so that unleaded fuel could be used the cost would be an estimated \$120m.

"Couldn't we do something more useful with that \$120m towards cutting environmental pollution? It is not yet proven that cars are responsible for acid rain."

Mr Walter Frey, president of Emil Frey Group, made a plea, as one of Europe's leading distributors for manufacturers, not to go too far. "I know that complexity is anathema to people who build the cars, but those who cannot show flexibility in this area will find themselves edged out of business by those who can."

"I foresee the need for a greater understanding at manufacturer level for local market-orientated strategies in the area of pricing, advertising, sales promotion, after-sales activities, and model availability. It is not realistic, to impose a common denominator in these areas on a Europe-wide, let alone world-wide, basis," he said.

Mr Frey also warned those manufacturers engaged in joint ventures to share development costs that "the proliferation of international co-operative ventures, while having many positive aspects from a model development point of view, also raises a number of doubts about the future product strategy for the distributor. He often asks



French company to update study for Channel bridge

BY PAUL BETTS IN PARIS

BOUYGUES, the leading French private construction and civil engineering group, has started work on a feasibility study to build a 35 kilometre long road and rail bridge across the Channel.

The study involving the update of an earlier project by Bouygues to construct a Channel bridge is due to be completed by September, M. Pierre Richard, the French company's research director, said yesterday.

M. Richard and other senior Bouygues officials said that they had decided to work independently on the feasibility of financing a cross Channel project had encouraged them to go ahead with the update of Bouygues' original bridge plan. Bouygues put forward on its own initiative a plan to build

a cable-stayed bridge across the Channel two years ago, but the original plan involved only a road bridge.

M. Richard said Bouygues first bridge project involved an estimated cost of FF 35bn (\$520m) two years ago. The same project would probably cost about FF 60bn today and adding the rail link would bring the total cost to between FF 45bn to FF 48bn," he explained.

Bouygues is so far the only major construction company to have decided to work independently on its own cross-Channel project.

Although the bankers report argues that government financial guarantees would be required to finance a cross-Channel scheme, Bouygues says "the problem is essentially political."

Venture Airways the first class experience Coventry to Paris

There's a new, first class experience in the air - Venture Airways flying to Paris (Charles de Gaulle) from Coventry Airport.

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DBS Joint Project

The Independent Broadcasting Authority has been asked by the Home Secretary to advise on participants to join the BBC and Independent Television companies in the proposed Direct Broadcasting by Satellite (DBS) joint project described by the Home Secretary in the House of Commons on 8th May 1984.

Those wishing to be considered are invited to obtain from the Secretary to the Independent Broadcasting Authority a copy of a note of guidance giving an outline of the project. The IBA is required to advise the Home Secretary before the end of July, and is asking for proposals not later than 20th June 1984.

IBA

Independent Broadcasting Authority,
70 Brompton Road,
London SW3 1EY.

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EUROPEAN NEWS

Swiss concerned at 'support' for inflows of fugitive capital

BY JOHN WICKS IN ZURICH

THE SWISS National Bank feels that more could be done to prevent banks from "actively supporting" the influx of fugitive capital from abroad. At the same time, the bank has expressed its concern at the lack of sufficient controls over certain sectors of the domestic financial market.

Speaking in Zurich yesterday, Dr Markus Lusser, bank director, said that an existing agreement with the Swiss bankers' association had worked very well in improving the identification of clients' funds.

However, he said the National Bank was "rather more sceptical" over the effectiveness of the agreement in stopping the siphoning and abetting of capital flight into Switzerland. It was difficult to determine where this had taken place.

The agreement, which was first drawn up in 1977 and renewed in a rather more restrictive version five years later, will run out in 1987.

The National Bank does not intend to take part in a further extension since it hopes that the question can be covered in the revised Banking Act. It would like to see the banks voluntarily create a professional code which would deal with the problem.

At the same time, the bank has called on the Ministry of Finance to look into possible steps to be taken in the field of investor protection on the private-placements market; control of any future options market; and registration of foreign-exchange dealers.

With regard to private placements - the issue of medium-term Swiss Franc notes - Dr Lusser repeated a recent claim by Dr Fritz Leutwiler, chairman of the National Bank, that investors were given insufficient information by the issuing banks.

"At least a rudimentary prospectus is necessary," Dr Lusser said. He suggested that the notes could at some later date be listed on stock exchanges. This would make them subject to the same prospectus regulations as public issues.

In the case of "financial innovations", such as any future options market, he pointed to strict controls in the U.S. and the UK. While the National Bank did not want to play the role of a controller in Switzerland, he said this might prove a job for an expanded banking commission of possibly an entirely new authority.

Mentioning recent scandals involving foreign-exchange dealers, Dr Lusser said it would be sensible to license professional dealers. He also called for "as much transparency as possible" in the foreign-exchange market.

This package of demands is likely to come as something of a shock to the Swiss financial community, which is only just recovering from the battle against the Social Democrats' move to reform the country's bank secrecy laws which was rejected in a national referendum last week.

DKr 1bn Danish trade deficit

BY OUR COPENHAGEN CORRESPONDENT

DENMARK RECORDED a provisional trade deficit of DKr 1,076m (\$107m) in April, compared with a DKr 571m deficit in March and a DKr 204m deficit in April 1983, the Danish state statistical bureau announced.

The April figures give a provisional trade deficit of DKr 1.13bn for the first four months of 1984 against a surplus of DKr 306m for the same period last year.

April imports fell to a provisional DKr 13.14bn from a revised DKr 15.2bn in March, while exports fell to DKr 12.07bn from a revised DKr 14.6bn, the bureau said.

Economists attributed the widening trade deficit to Denmark's current economic revival, which is leading firms to import more industrial plant and invest in improved means of production before re-exporting goods or increasing their industrial output and exports.

The country's domestic consumption is another factor behind the increased imports, giving analysts more cause for alarm.

Danish consumer prices rose 0.3 per cent in April after a 0.4 per cent rise in March, an annual rise of 6.6 per cent.

New Polish unions voice discontent on economy

By Christopher Bobinski in Warsaw

A DEEP rift is developing over rising prices and low living standards between the Polish Government and representatives of the country's new trade unions.

These unions, which claim some 4m members, were established in 1982 after the Solidarity movement was outlawed. They are still viewed with considerable suspicion by workers and outright hostility by the Solidarity underground.

However, published reports of their meeting with the Government this week show considerable differences. Union leaders, who are aware of workers' discontent at the 12 per cent inflation rate over the first four months this year, are anxious to win some credibility with the shop-floor.

Mr Mieczyslaw Rakowski, a Deputy Premier, told the meeting that the unions must limit their demands, however justified, in view of the general state of the country. He asked them to work with the Government and "not create antagonistic contradictions."

He was responding to Mr Romuald Sosnowski, a unionist, who said: "We want our views to be the basic source of information for the decision-makers and, should the need arise, we want to be able to correct decisions which the people feel are not bringing the desired effects."

The unions are also demanding greater powers, more consultation on price rises and are criticising the Government's attempts to curb wages growth which have risen above planned targets in the first quarter.

A union statement issued later notes "a growing lack of coherence between declared economic policies and their practical realisation." It points to the failure to curb inefficiency throughout the economy as a source of many problems.

Pope John Paul has asked President Ronald Reagan for an immediate unconditional lifting of Western economic sanctions against Poland and an end to the ban on Polish membership of the IMF.

OVERSEAS NEWS

Crocker leaves to South Africa for more Namibia talks

WASHINGTON - Mr Chester Crocker, U.S. Assistant Secretary of State for Africa, left for southern Africa yesterday following talks on the region with Sr Javier Perez de Cuellar, UN Secretary General.

The State Department said Mr Crocker would travel to South Africa and then Zambia for talks with officials on southern African developments.

Mr Crocker met the UN Secretary General in New York yesterday, the department said. He is expected to be away for about a week.

Mr Crocker is the main negotiator for the U.S. in protracted efforts to achieve independence for Namibia (South West Africa), which South Africa rules in defiance of the UN.

The talks are in a delicate phase following failure by principal parties involved in the dispute to agree in Zambia 10 days ago on implementation of a ceasefire in the Namibian guerrilla war and on an independence settlement.

The all-party conference, billed as an opportunity to break the Namibian impasse, attended by South Africa, the South West Africa People's Organisation (Swapo), which is fighting South African forces in

the territory, and representatives of six of Namibia's internal parties.

U.S. officials insist the meeting was not a failure. They see some success in the fact the rivals met and had not closed the door to further talks. The officials also express satisfaction over a withdrawal of South African forces into Namibia from neighbouring Angola.

Mr Pik Botha, South African Foreign Minister, met Angolan officials in the Zambian capital, Lusaka, two days ago and said afterwards the pull-out may be completed in days.

Mr Crocker last visited Lusaka in mid-February for high-level secret talks with South Africa and Angola on the withdrawal from Angola and efforts to arrange a ceasefire in the 17-year-old Namibian conflict.

Previous attempts to negotiate a Namibian settlement were blocked by South African and U.S. demands that an estimated 25,000 Cuban troops leave Angola if South Africa were to quit Namibia.

Independent analysts in Washington see little chance of peace efforts succeeding this time unless the Angolans or South Africans give some ground on the Cuban issue.

Bitter rivalry in Malaysian ruling party elections

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA'S ruling party, the United Malays National Organisation, holds its triennial elections here today in what has been the most intense and corrupt campaign in the party's history.

The 1,230 delegates from the party's 114 divisions will elect 24 members to the supreme council, which is effectively the country's top decision-making body, including the crucial post of deputy president.

Umno has ruled Malaysia for the past 27 years and, following tradition, Dr Mahathir, the Prime Minister, has been returned unopposed as party president for another three year term.

However, his deputy, Datuk Musa Hitam, faces a tough challenge in a three-corner fight against Tengku Razaleigh, the


Finance Minister.

In 1981, Musa secured 722 votes to defeat Razaleigh by 205 votes for the party deputy presidency, and went on to be deputy prime minister. Musa is 50 and Razaleigh is 48. Most Umno members would want to see their long and bitter rivalry settled during this round.

Observers say Musa should win again, although the margin of victory could be considerably reduced. A second defeat for Razaleigh would most likely result in him losing the finance portfolio as well.

As an indication of the high stakes, the campaign for the Umno supreme council seats has been feverish over the past month, marked by a profusion of poison pen letters.

Foreign Investment, Editorial comment, Page 16



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ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDERS 1984

The ordinary and extraordinary Meeting of Centrobanca was held on April 13 1984 at its Head Office in Milan, Corso Europa 20, under the chairmanship of Cavaliere del Lavoro Lino Venini.

The ordinary Meeting approved the balance sheet for the financial year 1983, which closed with a net profit of Lire 20,594,769,740 (inclusive of Lire 1,208,798,181 as a net profit of the Agricultural Section); a dividend of 10% per annum was declared. Loans in being at 31.12.1983 stood at Lire 2,502.5 billion and managed funds at Lire 4,589.1 billion.

After conversion of the second tranche of Lire 25 billion of the original convertible debenture stock of Lire 100 billion and the ordinary reserve and risk funds provisions, the net assets at 31.12.1983 totalled Lire 300.1 billion (Lire 235.6 billion at 31.12.1982). The Company's capital is entirely held by Co-operative banks quartered throughout the country.

Franco Gazzola having renounced his position as Permanent Auditor, the Meeting brought the Board of Auditors up to strength by appointing Giovanni Salsi.

The extraordinary Meeting approved amendments in some articles of the Company's Statute.

The Executive body of the Company is thus composed of:

The Board of Directors: President Cavaliere del Lavoro Lino Venini; Vice Presidents Lorenzo Suardi and Aldo Cova; Directors Giancarlo Bellemo, Franco Carniglia, Giovanbattista Caria, Antonio Ceola, Gianfrancesco Del Nero, Giovanbattista Fiorentini, Angelo Guerra, Angelo Mazza, Marcello Melani, Piero Melazzini, Carlo Pavesi, Massimo Pinelli, Giorgio Pulini, Giancarlo Rossi, Michele Stacca, Giuseppe Vigorelli.

Secretary to the Board of Directors is the General Manager Marcello Gentile.

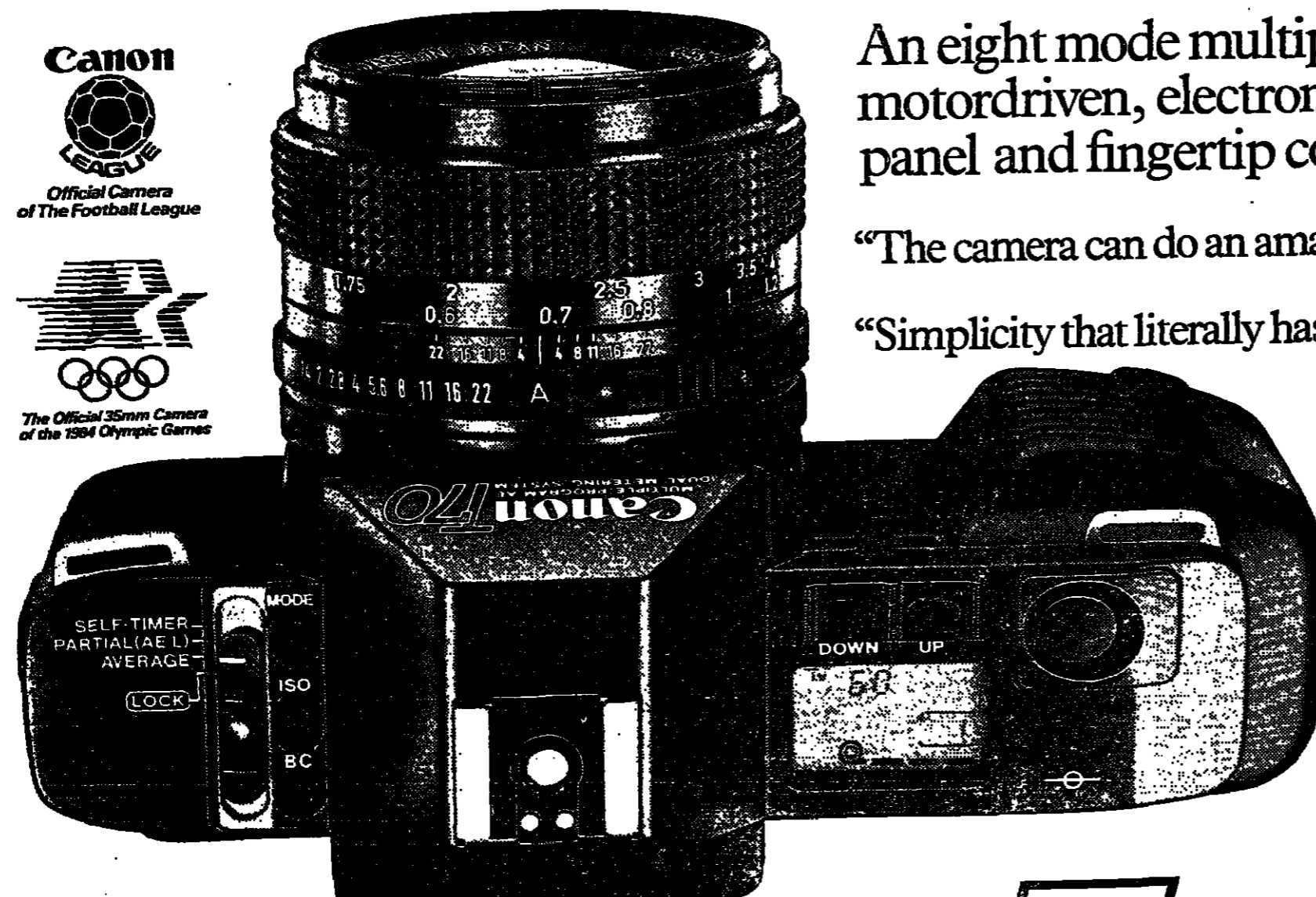
The Board of Auditors: President Cavaliere del Lavoro Francesco Parrillo; Permanent Auditors Pietro Agnoluzzi, Ottavio Fontanesi, Umberto Menesatti, Giovanni Salsi; Temporary Auditors Josef Froschmayr, Onorato Ortell.

SUMMARY OF THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1983
(in billion Lire)

ASSETS		LIABILITIES	
Funds and securities	1,734.8	Certificates of deposit	3,163.5
Loans in being	2,502.5	Bonds	813.8
Other items	638.6	Funds from abroad	129.9
		Correspondent creditors	26.3
	4,876.1	Funds from public Bodies and Institutions	33.8
Loan applications accepted	583.0	Other items	300.6
			4,567.9
		Assets of the Company (*)	287.6
		Net profit for the year	20.6
			4,876.1

(*) 300.1 after allocation of profit

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OVERSEAS NEWS

Charles Richards reports on the first honest poll for 60 years

Election itself the issue in Egypt

CAMPAIGNING for Egypt's parliamentary elections on Sunday has focused on one issue: the elections themselves. The public has faith in President Hani Mubarak's declaration that these elections will be the first sincere and honest ones for 60 years, and interest has been aroused in the challenge posed to the Government by the revived New Wafd Party.

The four opposition parties originally threatened to boycott the elections not because of breaches in electoral rules—Mr Mubarak's Interior Minister Hassan Abu Basha has been strict in guarding against ballot rigging—but over the rules themselves, which they said were weighted in favour of the ruling National Democratic Party (NDP).

The new electoral law passed by a people's assembly overwhelmingly dominated by the ruling party in one of its last acts. Under the complex system, a modified version of proportional representation, independent candidates are excluded and parties must obtain 8 per cent of the national vote to win seats.

Other peculiarly Egyptian refinements include rules about fractional percentages of the vote, seats for women and the ratio of peasants and workers. In most countries with proportional representation, fractions are rounded up to the nearest whole number. In Egypt they are rounded down and the amount left over goes to the majority party.

For example, if 10 seats are being contested in an electoral district, one party obtains 39 per cent of the vote and the other 61 per cent, the 9 per cent and 1 per cent are added together and given to the majority party, which would win seven seats to the minority party's three.

Of the 48 electoral districts, 31 have seats reserved for women, automatically going to the majority party. In addition to the 48 seats up for election, 10 seats are in the gift of the President (traditionally, minority Coptic Christians are

co-opted). The refinements should give the ruling party an estimated 80 seats extra; as one Opposition figure said: "It's like a card game: winner takes all." The result is beyond doubt: The ruling party will win overwhelmingly. The New Wafd Party is expected to obtain between 15 and 30 per cent of the vote. Traditionally its main electoral strength has been in the Eastern delta provinces of Sharqia, Kafr El Sheikh and Beheira, and Port Said.

Neither the Liberals nor Mr Ibrahim Shukri's Socialist Labour Party have the resources or support to gain the required 8 per cent of the vote to win a seat. But the Left-wing National Unionist Progressive Party (NUPP), assured of support in industrial centres and Benha, home town of its leader Mr Khaled Mohieddin, may obtain 8 per cent if the turnout is low. Thirteen million voters are registered.

The effects of the elections could be far reaching, however. Egypt will be able to point out (especially to the U.S.

which provides it with large amounts of aid) that Israel is no longer the only democracy in the Middle East.

Internally the elections should provide an outlet for political expression and thus win the middle ground from Islamic militants and restore public confidence in the political system. Ministers will once more be accountable to a parliament containing, say, 60 vocal opposition members.

Hopes have been raised that Mr Mubarak, whose office is not up for election, will reshuffle the Government. But the fact that the opposition is gunning for the colourless but hard-working Prime Minister, Dr Fuad Mohieddin, provides a good reason for Mr Mubarak to keep him on.

It is not Mr Mubarak's style to change for change's sake. Some new Government faces are likely, but greater developments are expected in the structure of the party itself, the importance of which has been increased by the electoral system.



Egyptian Prime Minister Fuad Mohieddin (left) chats with two NDP party candidates in front of a portrait of President Hosni Mubarak

Gulf attacks put Arab states on defensive at UN

BY KATHY EVANS IN DUBAI

AT THE request of the six Gulf states, the United Nations Security Council is to meet today to discuss last week's attacks by Iran on three Arab tankers. The Arabs will be asking the international community to condemn Iranian aggression, but to ignore the Iraqi attacks which provoked it.

The emergency session called for by the Gulf Co-operation Council following last week-end's Arab League meeting poses a dilemma not only for the UN, which has made some what feeble efforts as a peacemaker in the region, but ironically, for the Gulf Arabs as well.

The Gulf Arabs have two ways of approaching the debate. They could, as the Arab League decision urged, seek the outright condemnation of Iran's attacks. Such a move would satisfy public opinion at home and give expression to the outrage the Gulf Arabs feel about the Iranian raids. But there are a number of arguments against such an approach.

First, it would cause difficulties and embarrassment for the Security Council members who want to maintain the vestiges of neutrality in the Gulf war. Secondly, as the Americans advise, it might strengthen Iran's resolve to reallocate for the blockade of Kharg Island. Moreover, such a resolution would be simply ignored by Iran, which has always viewed the UN Security Council as a pro-Iraqi playing of the superpowers.

This image of the Council is even portayed on Iranian postage stamps. Saudi Arab and its allies may this time seek a more evenhanded resolution, similar to last October's UN resolution 540 which called for an end of the war and upheld the principle of freedom of navigation.

Having come round earlier this year to backing an Iraqi escalation of the war through the use of the French-supplied Super Etendard jets, there are now clear signs that they are having misgivings. But the GCC members, individually and collectively, appear incapable of even making representations to Iraq discreetly through diplomatic channels.

There are a number of reasons why they may look for a more palatable resolution from the Council. Not the least, there has been a subtle change over the last week of attitude from Iran's major allies in the Arab world, Syria and Libya. Mr Abdul Aziz al Tureiki, the Libyan Foreign Minister, has promised to try

to do whatever is necessary to prevent the spread of the war, and promote good neighbourly relations between the Islamic republic and the Gulf states. Even more significantly, Syria has taken up the cause.

At Saudi persuasion, Syria's President Hafez al Assad despatched on Wednesday to Tehran his two highest-ranking lieutenants—Mr Abdul Halim Khaddam, the Vice-President, and Mr Farouk al Shara, the Foreign Minister, who apparently carried a message outlining Saudi Arabia's view of the crisis. The Gulf Arabs will not want to jeopardise this line of communication in any way, particularly just for diplomatic exercises in the UN.

With Iranian acceptance of any resolution highly unlikely, anyway, a more appealing resolution could allow the Syrian channel to remain open and even to ease the tension. A Syrian of course, to Tehran nurtured by the Syrians could stand a much better chance of progress than any previous efforts by international or Islamic organisations.

Syria, however, has its own particular problems with the Islamic republic. They have diametrically opposed aims in Lebanon, and their policy differences are now becoming apparent. Syria wants to piece Lebanon together again along lines of a Lebanese-led militia in Northern Lebanon.

Iran, in contrast, has held ambitions to establish an Islamic-style republic in the country, under its influence. The differences were highlighted this week by an outbreak of fighting between Syrian and Lebanese-led militias in Northern Lebanon.

Baghdad is clearly in a position to settle everything. A few more attacks on ships heading for Kharg Island, like the ones they claimed to have carried out yesterday, and yet again the Gulf will be placed in direct confrontation with Tehran. This time, there appears to be clear guidelines of response given to the air forces of Saudi Arabia and Kuwait. If there is a response then retaliation by Iran, however making representations to Iraq discreetly through diplomatic channels.

Hence the question in many diplomats' minds about the real extent of support the GCC is prepared to give to Iraq's continued attacks on Iran's oil terminal. GCC members would now probably much prefer attention to shift back to the battle front on the ground.

Likud bloc closes ranks as liberals decide to remain

BY OUR TEL AVIV CORRESPONDENT

ISRAEL'S RULING Likud bloc is beginning to close ranks after weeks of feuding and trying to create a right wing front before the General Election on July 23. The Liberal Party, riddled with long-standing personality disputes, has finally announced it will remain in the bloc, which was set up with former Prime Minister Menahem Begin's far larger Herut party in the 1970s.

For the past few weeks, the Liberals, whose fast-eroding support is principally drawn from businessmen, has been in turmoil. Apart from personal differences, party leaders have been arguing whether to continue in the Likud bloc or stand on their own and try to establish a fresh independent political party.

The argument started after Herut moved to cut the number of safe Liberal places on the joint Likud list of election candidates. Ignoring the advice of Energy

Minister Mr Yitzhak Modai, its chairman, the party's central committee has decided to play safe and stick with Likud rather than risk a rout on their own.

Herut is expected to press hard to cut the present, clearly generous allocation of six Liberal Cabinet posts. Although relations between the two parties still appear shaky, the Liberals' decision has allayed right wing fears that Likud's demise would result in an election victory for the Labour party.

Labour, which in recent years has been seriously divided, has managed to maintain a comparatively united front in the pre-election campaign politicking. The party, at present comfortably ahead in opinion polls, has managed to settle its list of candidates without any of the public acrimony that has dogged the right wing.

Afghan cities in state of famine says report

BY ALAIN CASS

PARTS OF war-torn Afghanistan are on the verge of famine according to an independent report prepared by a senior researcher at London's School of Hygiene and Tropical Medicine.

The report, published yesterday, also suggests that certain strategic provinces in the country where fighting between Soviet-backed Government troops and rebels is fiercest, are reverting to subsistence level.

Dr Frances D'Souza, who prepared the report for the London-based Afghan Aid Committee, also suggests that competition in Afghanistan's cities, especially for the poor, have deteriorated as hundreds of

thousands of refugees from four years of war have poured in from the countryside. Big cities such as Kabul, the capital, are likely to have been further inundated by refugees as the present major offensive by Soviet troops in the Panjshir Valley gathers intensity.

The two provinces where evidence of malnutrition is greatest, according to Dr D'Souza, are Badakhshan, near the Chinese and Soviet borders, and Parwan.

Dr D'Souza's research, primarily among the estimated 2m Afghan refugees in Pakistan, also reveals sharp food price rises in some provinces.

Chernenko calls for reunification of Korea

MOSCOW — President Konstantin Chernenko spoke out for Korean reunification "without any outside interference" during talks with Kim Il-Sung, North Korean leader.

The Soviet news agency Tass said that during the talks, which took place on the second day of Kim's visit to Moscow, "special attention was given to the situation in the Korean peninsula, which remains unsettled and tense due to the continuing presence of American troops in South Korea."

The Kremlin has yet to make clear what kind of talks it would favour between Seoul and Pyongyang or how reunification of north and south could be achieved.

Kim has called for tripartite talks with Washington and Seoul on reunification, while the U.S. has said it would prefer negotiations involving itself, the two Koreas and China, Peking backs Kim's call.

Kim on his first visit to Moscow for 30 years, told Chernenko yesterday that his country sought U.S. withdrawal from the south.

Tass said senior North Korean officials, including the foreign and defence ministers, accompanied President Kim at the Kremlin talks with Mr Chernenko and four other Politburo members.

Tass said the talks "corroborated the similarity of the two sides' views on international affairs, a catch phrase which normally indicates disagreement on some points.

Asian diplomats said the problem area was likely to have been China, which North Korea has appeared to favour in recent years, despite its delicate path between the estranged Communist giants.

Chinese Communist Party leader Hu Yaobang visited

Pyeongrang earlier this month, a trip which the diplomat said probably irritated Moscow.

Tass said both sides "pointed out the danger of the growing militaristic trends in Japan and of the attempts to create a military - political alliance between Washington, Tokyo and Seoul."

Mr Chernenko on Wednesday accused the U.S., Japan and South Korea of forging a bloc to "divide and rule" in Asia.

Other diplomats said it was significant that both sides "strongly denounced the aggressive policy" of Nato and the U.S. but only "pointed out the danger" of developments in Asia. Reuter

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Bank of America	9 1/2%	Kingsnorth Trust Ltd	10 1/2%
Bank of Australia	9 1/2%	Knowles & Co. Ltd.	9 1/2%
Bank of Canada	9 1/2%	Lloyds Bank	9 1/2%
Bank of China	9 1/2%	Mallinhal Limited	9 1/2%
Bank of Ceylon	9 1/2%	Edward Manson & Co.	10 1/2%
Bank of India	9 1/2%	Mohr and Sons Ltd.	9 1/2%
Bank of Japan	9 1/2%	Midland Bank	9 1/2%
Bank of Korea	9 1/2%	Morgan Grenfell	9 1/2%
Bank of London	9 1/2%	National Bk. of Kuwait	9 1/2%
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Bank of New Zealand	9 1/2%	National Westminster	9 1/2%
Bank of Persia	9 1/2%	North West London	9 1/2%
Bank of Portugal	9 1/2%	Parsons Trust Ltd.	9 1/2%
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Bank of Switzerland	9 1/2%	Rosburgs Guarantee	9 1/2%
Bank of the East Indies	9 1/2%	Royal Trust Co. Canada	9 1/2%
Bank of the Middle East	9 1/2%	Standard Chartered	9 1/2%
Bank of the Pacific	9 1/2%	Trade Dev. Bank	9 1/2%
Bank of the South Sea	9 1/2%	Trust Bank	9 1/2%
Bank of the West Indies	9 1/2%	United Bank of Kuwait	9 1/2%
Bank of the West Indies	9 1/2%	United Miral Bank	9 1/2%
Bank of the West Indies	9 1/2%	Volkswagen Limited	9 1/2%
Bank of the West Indies	9 1/2%	Wasteac Banking Corp	9 1/2%
Bank of the West Indies	9 1/2%	Whiteway Ltd	9 1/2%
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Capital Investment	270	+ 7			North America	30%
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AMERICAN NEWS

Austerity protests spread in Bolivia

PROTEST strikes and fasts against government austerity measures have spread in Bolivia and the country's third largest party has warned that the armed forces would have to take over if President Hernan Siles Zuazo did not resign.

Rebel ship sunk

The Nicaraguan Government said on Wednesday that its air force sank a light assault craft off the Atlantic coast, Reuter reports from Managua.

Election challenge

Panama's opposition leader led 4,000 people in a march through Panama City on Wednesday to protest at the result of the country's first presidential election in 16 years.

Cuba joins boycott

Cuba, one of the world's top sporting nations, has become the 10th country to join the Soviet-led boycott of the summer Olympic games in Los Angeles.

HOUSE BANS USE OF COMBAT TROOPS

Salvador aid request approved

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE HOUSE of Representatives yesterday overwhelmingly approved President Ronald Reagan's request for \$22m in urgent military aid for the embattled government of El Salvador.

The vote came after the House fired a warning shot across the bows of Mr Reagan's Central American policies by banning the introduction of American combat troops into El Salvador or Nicaragua unless the U.S. or its citizens were endangered, or Congress first declared war.

The full House approved the \$22m for El Salvador by 267 to 154, dividing the funds into \$30m for new military aid and \$32m to refund the Pentagon for aid already rushed to the country through emergency procedures.

A Salvadorean civilian court yesterday found five national guardsmen guilty of the murder of four U.S. churchwomen near the international airport in December 1980.

In New York relatives of the four murdered women accused the U.S. government of hampering efforts to find and punish the murderers of the four. But the U.S. Justice Department said "justice has been done."

Approval of the full \$22m followed an impassioned and apparently successful appeal for support by Sr Jose Napoleon Duarte, the President-elect, during a Washington visit earlier this week.

U.S. man who sat as an observer at the trial, which took place in the provincial town of Zacatecoluca, announced after the verdict: "We will now pursue investigations of a cover-up and high involvement."

House leaders said they hoped the Senate, which has approved both the \$22m for El Salvador and \$21m for the "contras," would now back off on the Nicaragua funds.

It was the second defeat for President Reagan on the Administration's \$285bn (£203bn) defence Bill for 1985.

WASHINGTON — The House of Representatives has delivered a setback to President Ronald Reagan's "star wars" defence plan. It voted on Wednesday night to stop the testing of anti-satellite weapons (Asat) while the Soviet Union continued its own moratorium.

Reagan supporters tried to thwart the move through a series of procedural manoeuvres but lost by wide margins. The key vote was 238-181.

It kept the MX nuclear missile programme alive only after the President and key Republicans agreed to a compromise which cut the 1985 missile purchase from 40 to 15 weapons and tied the funds to resumed arms control talks.

The Republican-controlled Senate must still act on the Bill. Representative George Brown said the amendment adopted "puts the Asat testing programme on hold unless the Soviets break their own declared moratorium."

He and other Democrats argued that the chances of achieving an arms control agreement with the Soviet Union were less likely when Asat flight-testing was complete because of the difficulty of verifying an anti-satellite weapons ban.

Mr Reagan had asked for \$33m to start production of the Asat non-nuclear guided missile, intended to be launched from an F-15 fighter plane.

Mr Reagan pushed the Asat system as part of the broader "star wars" defence system.

Foreign banks are frequently criticised for concentrating on the lucrative corporate sector at the expense of small and medium-sized customers.

House delivers setback to 'star wars' plan

WASHINGTON — The House of Representatives has delivered a setback to President Ronald Reagan's "star wars" defence plan. It voted on Wednesday night to stop the testing of anti-satellite weapons (Asat) while the Soviet Union continued its own moratorium.

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Banks lobby for Canadian law change

BY BERNARD SIMON IN TORONTO

A GROUP of senior foreign bankers has flown to Ottawa in an effort to defuse parliamentary opposition to a government proposal easing statutory restrictions on the activities of foreign banks in Canada.

Opponents of the proposed relaxation, who are members of the socialist-leaning New Democratic Party (NDP), threaten to delay parliamentary passage of an amendment to the Bank Act long enough to prevent it being passed before parliament is prorogued in a month's time.

not sit again until some time in 1985.

The amendment would allow the 58 foreign banks to increase their assets to 16 per cent of the domestic assets of the banking sector as a whole, double the present limit of 8 per cent.

Several banks are already bumping against the ceiling and are anxious for the law to be changed as soon as possible to enable them to expand their Canadian business.

The bank delegation discussing the issue with NDP leaders includes the chief executives of Canadian subsidiaries of Citibank, Barclays and Manufacturers Hanover.

The NDP is using the foreign banks' lending ceiling as a bargaining counter to gain concessions for another group of financial institutions, the credit unions, which channel the savings of employee groups, such as teachers' associations, to individual and small business borrowers.

Foreign banks are frequently criticised for concentrating on the lucrative corporate sector at the expense of small and medium-sized customers.

reference negotiations to settle the issue, with the Administration still pressing strongly for the money for the "contras."

The House Democrats yesterday also sharply rejected a proposal to provide just \$6m to close down operations by the "contras," whom Mr Reagan describes as "freedom fighters."

Mr Tip O'Neill, the House Speaker, yesterday called them "murderers, murderers and rapists," and said it would be "a disgrace to this government" to provide money for their "rehabilitation."

Wednesday night's vote prohibiting the use of U.S. combat troops is unlikely to become law, as it must also pass the republican-led senate and be signed by Mr Reagan.

Nevertheless, House Democrats said the massive 341-64 majority in favour of the amendment was a clear expression of the strong feelings in the House, in Republican as well as Democratic ranks.

RENEWED violence in Colombia this week has cast doubts over the conservative government's ability to implement an indefinite ceasefire with the country's largest guerrilla group due to take effect on Monday.

Bomb attacks in the capital have killed two people and injured 11, while renewed guerrilla fighting has left nearly 20 people dead in the provinces.

The truce with the Colombian Armed Revolutionary Forces (Far) was the result of months of efforts by the government

mounting pressure from the U.S. Government to curb the trade.

However, since Sr Rodrigo Lara Bonilla, the former Justice Minister who crusaded against the drug trade, was gunned down late last month by suspected traffickers, President Betancur has declared war on narcotics, and the Government has begun to make good its promises.

Opinion poll puts Reagan ahead of Democrats

By Reginald Dale, U.S. Editor in Washington

PRESIDENT Ronald Reagan would beat either of the two leading Democratic contenders if the U.S. presidential elections were held today, but Senator Gary Hart would give him a closer race than former vice-president Walter Mondale, a nationwide opinion poll said yesterday.

The latest Washington Post-ABC news poll of registered voters said Mr Reagan would beat Mr Mondale by 51 to 43 per cent, but Mr Hart by only 49 to 45 per cent.

Nearly three out of four registered voters (73 per cent) said Mr Reagan had "strong leadership qualities," while only 50 per cent said the same of Mr Mondale and 49 per cent of Mr Hart.

As Idaho voted for 18 of its delegates to the Democratic convention in Caracas yesterday, the latest national count gave Mr Mondale 1,619 of the 1,967 delegates needed to win the nomination, against 953 for Mr Hart, 363 for the Rev Jesse Jackson and 327 uncommitted.

THE headquarters of the Democratic Party Congressional Campaign Committee were broken into Wednesday, AP reports from Washington.

Two offices were ransacked and a variety of papers and other items were stolen, police said.

A committee aide, Mr Mark Johnson, said no politically sensitive documents were taken and that the break-in appeared to be mostly an act of vandalism.

De Lorean lawyers claim government created drugs case

BY LOUISE KEHOE IN LOS ANGELES

THE CRITICAL act in the John De Lorean court room drama opened yesterday as defence attorneys for the former automobile executive began their efforts to "destroy" the chief prosecution witness in the drug trafficking trial.

"Doing well in cross examining Hoffman (Mr James Hoffman a convicted drug dealer turned government informant) will be very important," conceded Mr Donald Re, one of Mr De Lorean's lawyers.

Video tapes and tape recorded conversations played in the courtroom showed Mr De Lorean discussing the purchase and sale of "Thai heroin" and "Colombian cocaine."

Although code words such as "monkeys" and "spare parts" were used in discussions of the drug trafficking scheme, Mr De Lorean was indeed talking about drugs, his lawyers admitted outside the Los Angeles court on Wednesday.

"Yes, he was talking about a drug deal, but it was their drug deal, not his," said Mr Howard Weitzman, chief defence attorney. "John (De Lorean) was in a pathetic state of mind. Clearly his judgment was poor non-existent," said Mr Weitzman of the founder of De Lorean motors.

Mr De Lorean listened nervously but said nothing as his lawyers questioned the tactics

of the FBI undercover agents who arrested him.

"This case will form the backbone of new legislation and (undercover operation) guidelines," predicted Mr Weitzman.

"How far can the Government go? They created this case to draw publicity for a new inter-agency FBI-Drug Enforcement Agency Task Force to bring attention to their war on drugs," Mr Weitzman charged.

"This is a drugs case only because the Government wanted a drugs case," added Mr Re. "It could have been a security fraud, or another sort of crime but they manipulated John to make a drugs case. The Government's conduct was outrageous."

Mr Re also charged that the British government knew of the undercover drug investigation prior to Mr De Lorean's arrest and contributed to the pressures put upon Mr De Lorean to accept drug profits to save his Belfast-based company.

Earlier, in the courtroom, a secretly video taped meeting between Mr De Lorean and undercover agents showed Mr De Lorean blaming the British government for his financial problems.

"When we went into this project with the Labour Government in Great Britain it was on the understanding that we were going to be the nucleus of a major automotive complex in Northern Ireland... to create 10,000 to 15,000 jobs."

"We had absolute carte blanche from the Labour Government."

Colombia minister in U.S. for talks on drugs trade

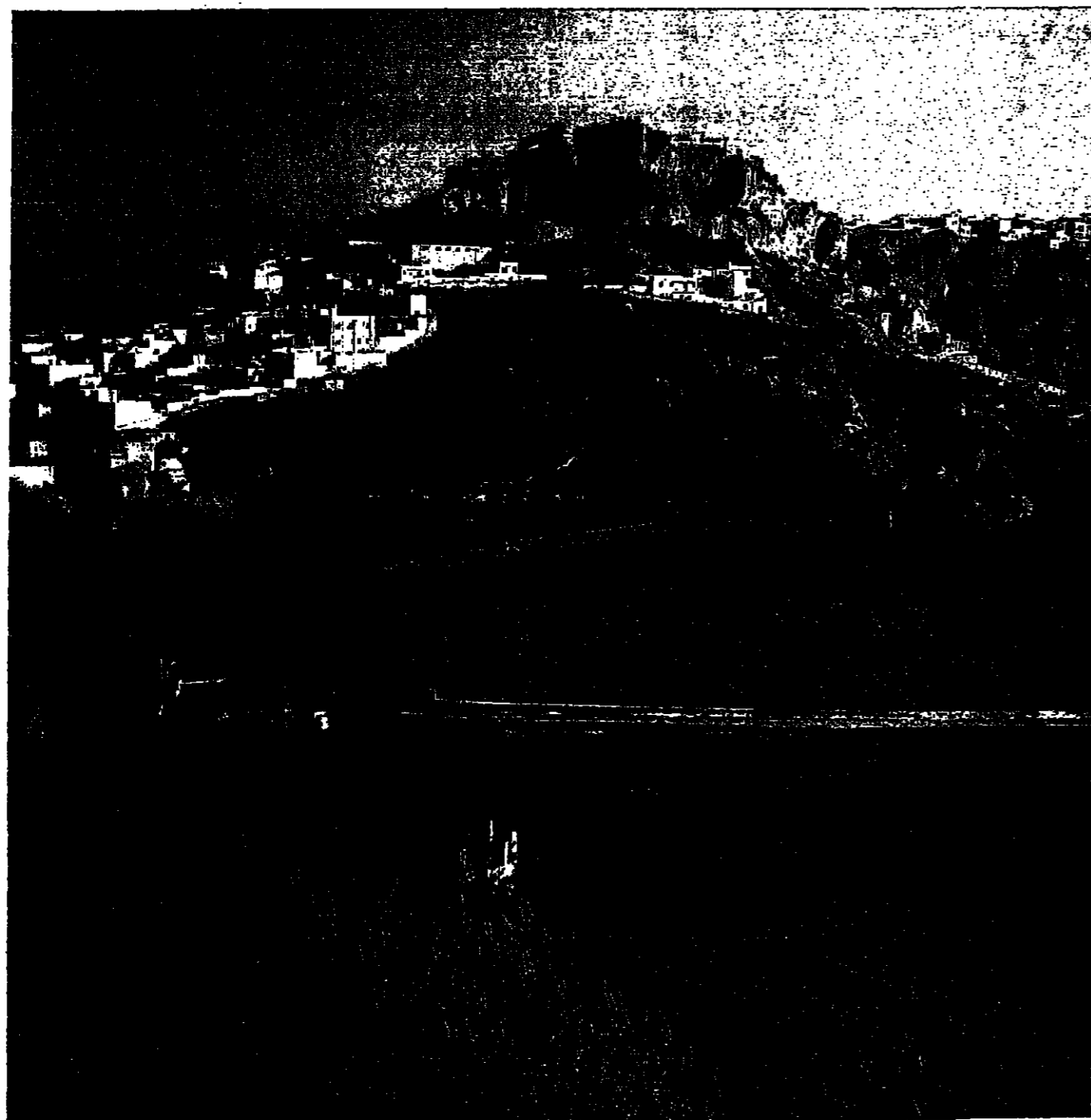
BY ANDREW GOWERS IN WASHINGTON

Sr Rodrigo Lloreda, the Colombian Foreign Minister, is in Washington this week for talks with U.S. officials amid high U.S. hopes that the Bogota Government finally means business in its crackdown on cocaine growers and traffickers.

Colombia, the source for about 75 per cent of the cocaine on the U.S. market, mainly refining coca-leaf grown in Peru and Bolivia, has come under

mounting pressure from the U.S. Government to curb the trade.

However, since Sr Rodrigo Lara Bonilla, the former Justice Minister who crusaded against the drug trade, was gunned down late last month by suspected traffickers, President Betancur has declared war on narcotics, and the Government has begun to make good its promises.



Where are all the tourists?

They're five minutes drive from here, at one of the busiest, most popular beaches in Spain. One reason why so many people come to Spain, and come back year after year, is that we have so many secluded spots like this beach. Pick one for yourself and make it your own.

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Leave your car outside the high white village walls. The streets will be too narrow for it, and sometimes they become steps. There will be a church and a small square. There will be tables outside a cafe. Sit, sip some wine and listen to the quiet.

We could tell you of peaceful places all around Spain, but you'll have more fun finding them for yourself. Then they will become the places you will always remember most fondly, where there wasn't a tourist in sight. Except you.



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WORLD TRADE NEWS

China's premier looks to Europe to drum up fresh investment

PEKING — Prime Minister Zhao Ziyang of China, the driving force behind the country's liberalised economic policies, opens a tour of west Europe next week to drum up fresh trade and investment.

Mr Zhao, 64, leaves Peking on Tuesday to visit France, Belgium, Sweden, Denmark, Norway and Italy.

His trip follows a visit to the U.S. in January, ahead of President Ronald Reagan's China tour last month, and is seen by Western diplomats in Peking as part of a process of building up Zhao as an international statesman. He became Prime Minister in 1980.

Under Zhao, China is adopting a policy of opening up to the West. It is trying to build ties with Western Europe, which is seen in Peking as an alternative source of advanced technology and trade to Japan and the U.S.

Earlier this month, Vice-Premier Li Peng visited Bonn and signed a 15-year research

and co-operation agreement with West Germany on the peaceful use of nuclear energy. It could lead to the sale of two West German nuclear power plants to China.

China, which also announced a nuclear energy accord with the U.S. during the Reagan visit, plans to build 12 reactors, with potential contracts valued at around \$30bn.

Industry officials expect most to be filled by U.S. manufacturers, so long as the American agreement is ratified by Congress, but China is also looking to Europe to participate in the energy programme.

France looks likely to get the contract for a nuclear plant at Daya Bay, near Hong Kong. GEC of Britain is expected to supply the turbines. Zhao is not going to West Germany because his visit would follow Li's too closely, and he is also leaving London off his itinerary as Britain and China are currently involved in sensitive

negotiations over the future of Hong Kong.

His first stop is Paris and follows a visit by French President Francois Mitterrand a year ago.

Apart from the nuclear deal, France is interested in selling China Mirage 2000 combat aircraft as well as civilian jets such as the European Airbus.

Zhao will be pressing French businessmen to invest in China's special economic zones and 14 coastal cities which Peking says will now open for overseas investment under special concessionary terms.

Overall Sino-EEC trade rose 20 per cent in 1983 to \$5.97bn, with China reversing a three-year running trade surplus to end with a \$1.21bn deficit, according to Chinese figures.

The Community signed a textile agreement with China in March under which Peking can increase its textile exports to the community by 10 per cent in certain categories. Reuter.

Andean Pact may relax restrictions

By Hugh O'Shaughnessy in London

RESTRICTIONS ON foreign investments in the five countries of the Andean Pact are likely to be considerably relaxed in the next few months, according to Sr Jorge Ospina, head of the Colombian National Planning Department.

Speaking in London at a meeting for British businessmen before the Investors' Forum to be held in July in Bogota, Sr Ospina said that the governments of the five-nation grouping — Venezuela, Colombia, Ecuador, Peru and Bolivia — were keen to do more to encourage inward investment.

"The former Article 24 of the Andean Pact has been substantially modified and regulations on profit remittances, local partnerships and reinvestment have been liberalised," he said.

According to Colombian Government statistics, more than 700 foreign companies had by the end of 1982 invested \$1.35bn in Colombia

Jurek Martin on why Japan is setting its hopes on the London summit

Tokyo pushes for new Gatt round

JAPAN BELIEVES that European attitudes hold the key to whether or not progress can be made at the London summit next month towards launching another round of multinational trade negotiations.

A senior Foreign Ministry official here, speaking with unusual frankness, said that Japan hoped that the summit communiqué "will go a little bit further" than that issued by ministers attending the meeting of the Organisation of Economic Co-operation and Development in Paris last week.

That session had produced a statement to the effect that another trade round could make an important contribution to an improved global economy. But it did not, as Mr Shintaro Abe, the Japanese Foreign Minister, had proposed, refer to a specific timetable for getting the process under way.

Japan would like to see the summit first recognise the importance of a new round, thus giving it at least a provisional

political seal of approval and secondly, perhaps assign some form of body to get the necessary groundwork under way. The most critical initial steps were to determine "when it should start and what should be in it," he said.

Japan is setting considerable store on its self-appointed leadership on the trade issue, with the proposed new round already having been informally named after Mr Yasuhiro Nakasone, the Prime Minister.

The official said that while the U.S. shared Japan's enthusiasms, European reservations

THE seven-nation European Free Trade Association (EFTA) this week joined Japan and the U.S. in calling for a new round of global negotiations aimed at reducing trade barriers, writes our Trade Staff.

A communique issued after a summit meeting of Efta prime ministers on the Swedish island of Gotland said:

"The Efta countries support the idea of a new global round of Gatt, that is, international negotiations whose aim should be to dismantle trade barriers and strengthen free trade."

However, he noted that these European nations to be represented at the summit were themselves divided on the issue, with the UK and West Germany noticeably less negative than France and Italy, probably, he said, because the economies of the two latter countries were still in poor shape.

were based on the continent's feeling that a general economic recovery should "come first." Japan, on the other hand, felt a new round could make a substantial contribution to general recovery by helping to roll back protectionist tendencies.

In three meetings this month — when M Gaspar Thors, President of the European Commission, was in Tokyo, during a Japanese ministerial delegation's talks in Brussels, and at the OECD—Japan and Europe have fenced inconclusively with each other over a new trade round. However, the official said Japan was far from discouraged by the exchanges to date.

Nor was Japan discouraged by concerns expressed by some developing nations that a new round would have little benefit for them. Agriculture, a primary concern for the LDCs, must be an essential part of this coming round — as should trade in newer areas like services and high technology," he said.

The important and, as yet, unresolved question here is the extent to which Japan and Europe, in particular, are prepared to expose their protected agricultural sectors in the interests of wider free trade.

India to send first official trade mission to Peking

By K. K. SHARMA IN NEW DELHI

INDIA IS to send its first official trade delegation to China in July in a major bid to increase trade between the two largest countries in Asia. Among the subjects that will be discussed is the signing of a trade agreement.

This was announced yesterday by Mr V. P. Singh, the Minister of Commerce, at a meeting of the Central Advisory Council of Trade after a number of members, including Mr Ramakrishna Bajaj, president of the Federation of the Indian Chambers of Commerce and Industry, urged the Government not to ignore China in its trade promotion efforts.

India's trade delegation will be led by Mr Abid Hussain, the country's Commerce Secretary. India and China went to war over a border dispute in 1962 and since then relations have been cool. A thaw set in about four years ago when they resumed diplomatic contacts and started talks on improvement of relations. However economic relations have developed only slowly despite a number of private trade

missions. Two-way turnover in trade is less than \$60m a year. At yesterday's meeting of the Central Advisory Council, at which all major associations and chambers of businessmen are represented, a strong feeling was expressed that India was missing a vital opportunity by not pursuing a policy of rapid trade expansion with China. A minimum two-way turnover of \$1bn a year could be achieved, members said.

Mr Bajaj, who recently led a private businessmen's delegation to China, said he had noted that the Chinese were extremely anxious for greater commercial contacts with India. They had indicated that they wanted Indian management of many of the new hotels opened there.

Among other decisions announced at the meeting by Mr Singh was that the Government had decided to concentrate its trade promotion efforts on about 15 promising countries so that the maximum results could be achieved. At present, efforts are spread thinly over all countries and the investments are thought to be largely wasteful.

Portugal wins textile export concessions

STOCKHOLM — Sr Mario Soares, the Portuguese Prime Minister said yesterday he had won concessions from Sweden on the issue of Portugal's textile exports that loomed large at the European Free Trade Association (EFTA) summit concluded on Wednesday.

The EFTA delegates, meeting in the Swedish island of Gotland, heard Sr Soares hit out at restrictions on textile imports from his country, and he pursued the subject in talks here during an official visit following the summit.

Appearing at a joint news conference with Sr Soares, Mr Olof Palme, the Swedish Prime Minister, confirmed that Sweden would take "a more flexible attitude". But he did note that Portugal's exports already exceeded by more than 200 per cent the agreed quotas, which left room for an annual growth of only about 2 per cent.

Mr Palme promised further discussions, however, and Sr Soares was satisfied "it means Portugal will be able to export more textiles to Sweden," he said.

Sr Soares said discussions during his first official visit to Sweden as premier also covered tourism and Swedish investment in Portugal, along with international issues ranging from Latin America and South Africa to the Gulf and the conflict between Iran and Iraq.

Asked when his Government's austerity programme might be expected to bring about a reduction of inflation and unemployment in Portugal, Sr Soares said he considered inflation a much more serious problem than unemployment.

"Unemployment is not as bad as in other countries. The current level is 8 per cent. Inflation is a considerably more difficult problem. At present the rate is 25 per cent, but we hope to reduce it to 21-22 per cent," he explained.

"We successfully battled a number of economic problems that were grave when we came to power 11 months ago," Sr Soares said. He cited a considerable reduction of the deficits on the balances of trade and payments.

"We have reduced the trade balance from \$3.5bn to \$1.8bn," he said. "The major problem is that Portugal has to import large amounts of oil and grains and we have to pay in U.S. dollars. With the steady rise of the dollar against our currency we also import inflation."

Sr Soares said his plans for Portugal did not include nationalisation, which he did not consider "necessary" and opposed because of the potential bureaucracy.

Mr Palme said he believed in Portugal's future. "Portugal has, like other nations, been hit hard by the economic recession. But I am convinced Portugal will have a bright future, not just economically but also as a democracy." Reuter

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Turnover	£'000	£'000
Profit before tax	12,468	12,272
	1,351	1,211
Dividend per share	5.5p	5.0p
Earnings per share	13.78p	12.10p

At the Annual General Meeting held on 22nd May 1984 the Chairman, Mr Brian W. Stanton, said:

"The trading for the current year to date continues to show an improvement over that of the same period last year. We remain reasonably optimistic that if this progress is maintained the results attained last year will be exceeded."

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So when the Right Honourable gentleman tops out our new terminal, you can bet your Wellington boots on one thing.
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The partnership at work with a customer. Left to right: Chase Senior Vice Presidents, Mike Urkowitz, Corporate Operations; Bill Kaufmann, Trade Finance; Bob Lichten, Investment Banking; Bill Foulke, International Banking; Jim Borden, Treasury; David Banks, Corporate Banking.

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Global Network Investment Banking Electronic Banking Treasury Expertise
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MANAGEMENT

IT WAS in the spring of 1982 that the top management of Akzo, the Dutch chemicals and fibres group, decided finally...

Akzo

A ruthless search for recovery

Walter Ellis reports on the restructuring of the Dutch chemicals and fibres group



Arnout Loudon: a blast of clear leadership

Arnout Loudon, Akzo's chairman, headed the new set-up, together with three colleagues...

with the general effects of the world economic recession, had exposed the considerable inefficiencies in the company's structures...

by some 500,000 tonnes over a three-year period and gave Akzo the impetus it required to carry on the rationalisation...

effect was a loss of 5,100 jobs, bringing Akzo back to profit and, Akzo hopes, laying the base for higher earnings in future.

Worst over

Both Akzo and ICI, and indeed chemicals companies generally, have been beneficiaries of the U.S.-led economic recovery.

All in all, Akzo has succeeded since 1975 in cutting back substantially on its manpower while improving efficiency and increasing sales.

One of the most positive developments of recent years, and certainly the one of which Akzo is most proud, is the invention and production of Aramid yarns, used in such areas as tyre manufacture...

British Airways

Putting on a human face

Alan Pike on personal training

BRITISH AIRWAYS is relying upon more than its Saatchi & Saatchi advertising image to establish itself in the minds of customers as the world's favourite airline.



The title is significant. It deliberately refers to putting people first rather than putting customers first.

British Airways is already sufficiently pleased with the results to be considering offering a modified version of Putting People First to the remainder of its staff who do not have regular customer contact.

The course—one of the largest of its type ever awarded to a training consultancy in the UK—is being run for British Airways by Time Manager International, TMI, which has its origins in Denmark...

People who feel good about themselves produce good results. Lane is impressed by the extent to which Colin Marshall—who he praises as a people man who learns from the front—contributes personally to the courses.

There is good reason for this. Putting People First dovetails with some strongly-held views on Marshall's part about managerial leadership. The course tries to tell British Airways staff that the way they treat each other is as important as the treatment of customers.

In an industry like ours, where there are no production lines, people are our most important asset and everything depends upon how they work as part of the team.

His solution is not simply to wait around hoping that the education system will change. Marshall believes companies must rethink the basis on which they hire, assess and train potential managers.

For British Airways passengers, the benefit of Putting People First will, it is believed, be a more attentive and positive attitude from staff. For anyone considering buying British Airways shares when the airline is privatised, there is the benefit of knowing that some positive thinking is taking place in their jobs.

TECHNOLOGY

FRENCH BANK'S STRATEGY FOR INVESTMENT IN HIGH RISK TECHNOLOGY

Paribas: linking money and genes

BY DAVID MARSH IN PARIS

TRANSGENE, a Strasbourg-based French genetic engineering company, which will be four years old next month, is about halfway along the road towards financial self-sufficiency...

120 years. It was in Strasbourg that Pasteur, in 1857, made his celebrated discovery of the role of yeast in the fermentation of beer. The city was a natural home for Transgene, says managing director Etienne Eisenmann...

Transgene generally has between five and 10 research contracts running simultaneously, normally for periods of two to four years. Income from outside contracts covered 64 per cent of operating costs for 1983...

cases. Eisenmann, tending the relationship with clients similar to that between patient and doctor.

Eisenmann admits too some relief that Transgene, in contrast to stock-market quoted U.S. companies, does not have to make an effort to publicise results as soon as a breakthrough is made.

Transgene's research contracts, which generally bring in around FF2.2m to FF5.5m a year, at present are exclusively with French companies and institutes such as the National Blood Transfusion Centre.

Transgene knows it cannot compete across the board with genetic engineering companies which might employ perhaps 400 to 600 people in scaling up laboratory processes into full commercial projects.

Paribas launched the initiative in early 1979 with a series of U.S. investments made directly by the Paribas organisation. The latest stake of US\$7m placed in nine separate companies is now worth around US\$27m following expansion and, in some cases, public flotation of capital on the U.S. over the counter market.

Automation Executive workstations

THE IMPLICATION of a report from Input, the Californian market research company, is that vendors of "executive workstations" need to tread warily, whether they are offering personal computers, terminals or intelligent telephones.

Apparently one vendor in the U.S. assessed his workstation in rosewood panelling and set back to wait for the orders. The few executives who had one were proud to display their "beautiful workstations" but actually had no use for them apart from monitoring their holdings of company shares.

Executive Workstations: Problems and Opportunities, Input, 1943 Landings Drive, Mountain View, Ca 94043. Phone: (415) 960 390.

Control Optic fibres

AN OPTICAL fibre high bandwidth network from Beale Electronic Systems is being evaluated by British Aerospace. Beale hope that the optical system has applications in control and communication networks for factory automation systems.

Beale's advanced division, which is already a user of optical fibre technology, is interested in the local area network for such uses. More information from Beale in Slough, Middlesex on 078481 3115.

Computers Telex terminals

USERS of the Series 500 hard disk, multi-terminal system can now attach an Arctical telex facility to their machines. Technology for Business, based in London, UK has developed a system which allows several computer terminals to access outside telex lines. More details 01-837 1271.

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Storing calls by computer

STORACALL OF Twickenham has launched Ansamaster 3, a combined telephone and telephone answering machine which has obtained authorisation from the Department of Trade and Industry for its connection to switchboard extensions.

Telecoms Radio frequencies

THE FUTURE of radio frequencies now used by 485 line black and white television services which will cease to operate on these frequencies at the end of the year is discussed in a consultative document from the Department of Trade and Industry. The document outlines the future use of the band for mobile communications in the UK. This market is expanding at a rate of 8 per cent a year. The DTI is seeking views by the end of July.

PARIBAS scientific institutes, aims to show that risk capital ventures in expanding technological sectors can indeed succeed—even in the up-to-now unpropitious soil of France.

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For Londoners on the move, nothing can touch our amazing new two-way electronic message system.

It's called *Voicebank* and enables you to receive messages and to alert callers to your movements simply by picking up a phone almost anywhere in the world.

At your end, *Voicebank* is invisible. There's no box. No tapes. No switches. And nothing to go wrong. We can even arrange for your Radiopager to beep the moment a message arrives.



In emergency -press!

A fire brigade's central control unit can now fully mobilise outlying stations at the touch of a single button.

With our microprocessor-controlled Solent alarm system everything can happen automatically - from radio-paging individual crewmembers to stopping the traffic outside the station.

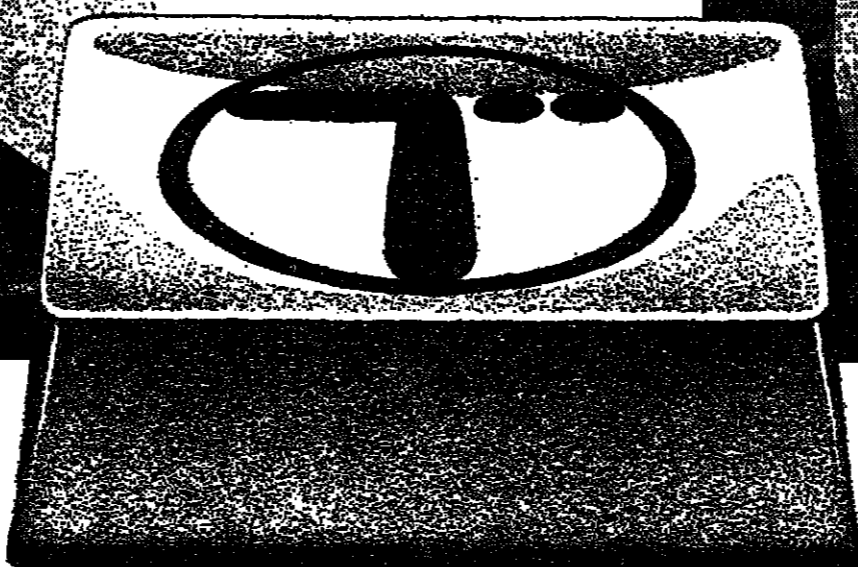
So far sixteen British brigades have ordered Solent and its life-saving potential is already attracting export interest.

A to Z in .39 sec.

A single optic fibre cable (Lightline) could transmit every word of the Encyclopaedia Britannica in .39 seconds!

Lightlines are now specified for all new trunk cables.

A graphic illustration of the communicative power British Telecom foresight and investment in technology is providing.



Improving the telephone service
Every working day, on average, British Telecom:
connects 14,000 new telephones,
lays 10km of optic fibre cable,
brings into service one new electronic exchange.

The big business machine

Business doesn't come much bigger than Shell. And the machine Shell relies on for business communications is BT Telex.

Their system is fully operational 24 hours a day 365 days a year. A vital link with tankers at sea, cargo terminals, distributors and offices throughout the globe.

Telex today is compact, streamlined and silent. It can be programmed, and it will talk to computers, word processors, data terminals alike.

Small wonder that BT's Telex service handles over 800,000 messages for business customers each and every day.

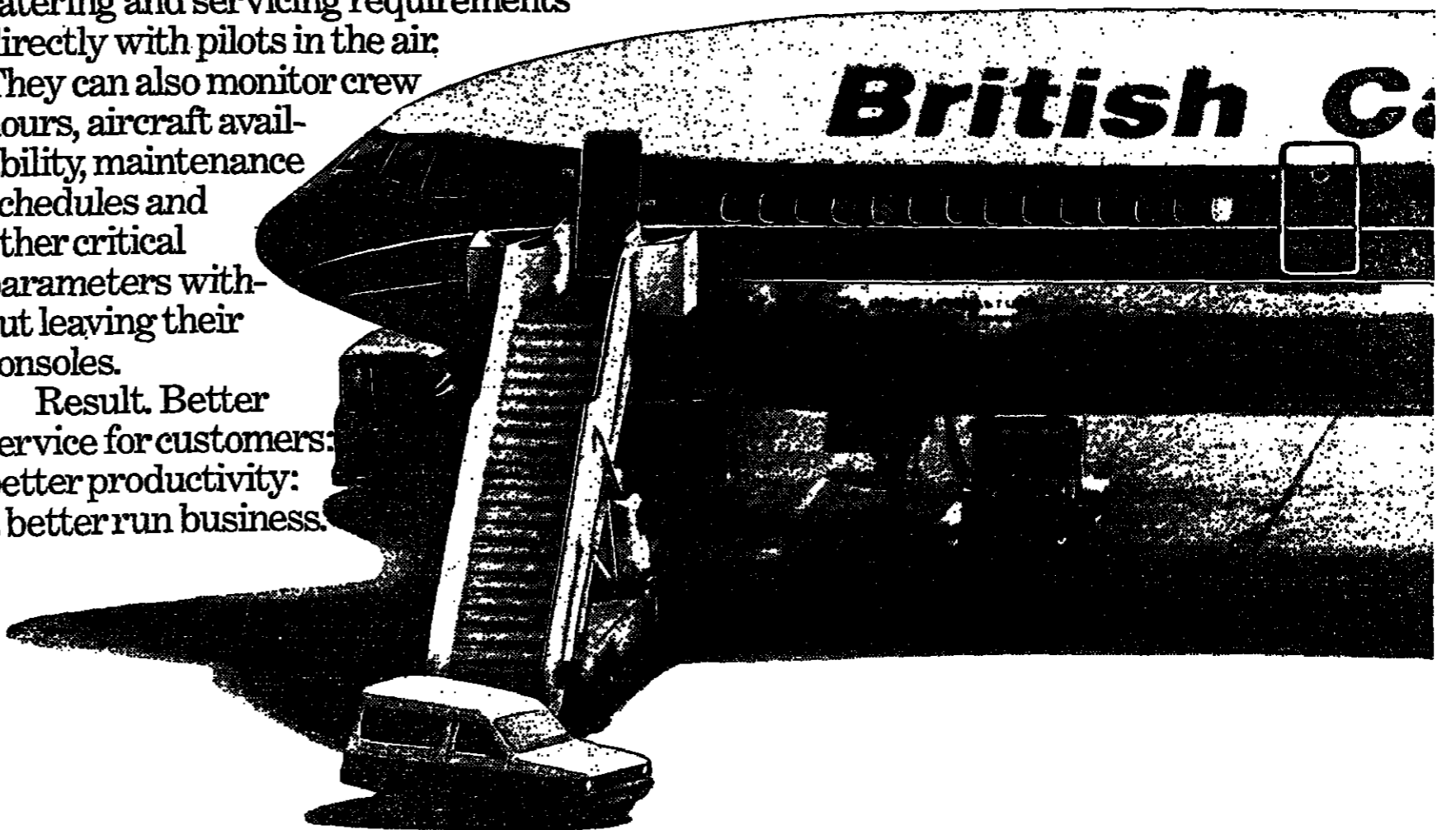
A better way to run an airline

A British Telecom *Touchdown* system helps British Caledonian's operational control centre at Gatwick to use human and material resources to the best advantage.

Controllers can check arrival times, fuel, catering and servicing requirements directly with pilots in the air. They can also monitor crew hours, aircraft availability, maintenance schedules and other critical parameters without leaving their consoles.

Result. Better service for customers: better productivity: a better run business.

This adaptation of the successful City Business System is an excellent example of the commercial enterprise and knowhow that are expanding the market for British Telecom products and services.



British TELECOM The power behind the button.

THE ARTS



Music

LONDON

Paco Pena and friends: Flamenco. Barbican Hall (Mon) (038891).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: L'elisir d'amore is the only opera at Covent Garden this week.

PARIS

Boris Godunov alternates with a new production of Gluck's Iphigénie en Tauride.

WEST GERMANY

Berlin, Deutsche Oper: La Bohème stars Raina Kabaivanska and Alberto Cupido.

WEST GERMANY

Berlin, Kammerspiele: A new production of Wagner's Parsifal.

NEW YORK

New York City Ballet (New York State Theatre): 37 repertory works, including the company's own Grand Palais.

WASHINGTON

German Expressionist Sculpture (Hirschhorn): This is the first comprehensive look at works in plaster, bronze, wood and porcelain.

PARIS

Camille Claudel: 70 sculptures accompanied by paintings, drawings and engravings.

WEST GERMANY

Essen, Villa Hugel: The former residence of the Krupp family, now an arts centre.

NETHERLANDS

Hans Koper: An exhibition of the ceramics of this Dutch artist and craftsman.

PARIS

Orchestra Colonne conducted by Antonio Ros-Marín, Michael Razy, piano.

WEST GERMANY

Berlin, Philharmonie: The Berlin Philharmonic Orchestra under Myung-whun Chung.

ITALY

Bologna, Palazzo dei Congressi (Sala Europa): Alexis Weissenberg, piano.

WEST GERMANY

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NETHERLANDS

Hans Koper: An exhibition of the ceramics of this Dutch artist and craftsman.

NEW YORK

New York Philharmonic (Avery Fisher Hall): Hans Werner Henze conducting.

CHICAGO

Chicago Symphony (Orchestra Hall): Klaus Tennstedt conducting.

BRUSSELS

EBC Symphony Orchestra conducted by Paavo Berglund with Felicity Palmer, mezzo-soprano.

VIENNA

Vienna Philharmonic Orchestra conducted by Carlo Maria Giulini.

ZURICH

Tonhalle: Tonhalle Orchestra and Sengverner Harmonie conducted by Hans Eriksen.

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical.

NEW YORK

42nd Street (Majestic): An immediate celebration of the heyday of Broadway.

BRUSSELS

American Ballet Theatre (Metropolitan Opera House): Ends June 16.

VIENNA

Staatstheater: Lorin Maazel conducts Carmen; Hager conducts the Magic Flute.

ITALY

Rome, Accademia di Francia (Villa Medici): In 1894 Claude Debussy won the coveted Prix de Rome.

CHICAGO

E. R. (Forum): Moving into its second year, parodying a drama in a hospital setting.

VIENNA

The Cliche and the reality of Viennese women in their fight for emancipation.

Theatre

LONDON

A Streetcar Named Desire (Merridale): Sheila Gish gives the performance of her life.

NEW YORK

The Real Thing (Straw): Susan Penhaligon and Paul Shelley now take the lead.

NEW YORK

Sunday in the Park with George (Booth): Not your conventional musical.

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VIENNA

The Cliche and the reality of Viennese women in their fight for emancipation.

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company.

NETHERLANDS

Hans Koper: An exhibition of the ceramics of this Dutch artist and craftsman.

Cinema/John Pym

Where the gonzos roam

Where the Buffalo Roam, directed by Art Linson. Wizard of Oz, directed by Hunter S. Thompson.



Bill Murray and Peter Boyle in "Where the Buffalo Roam"

The range lies before us: the noble stags beasts placidly munch; Neil Young's clear unaccompanied voice renders the title song and produces (in that of a certain age) a rush of nostalgia.

What follows does not quite live up to the promise of the bravura opening with Thompson drinking, swaggering, ordering his Doberman pincher to attack his lifeline Nixon doll.

Bill Murray came to notice in the TV series Saturday Night Live and Where the Buffalo Roam has much of the feel of American quickie TV.

Thompson observes Lazio in court defending a drug user and then exploding at the judge and ending in jail himself when the young man is sent down for five years.

John Arden's play emptied the Royal Court in 1959 (it was to be a permanent fixture).

Musgrave's deserter from the British army and brings with him three other malcontents. The town is suffering a strike at the colliery and the likelihood of riots.

As is usual with house sales the auction of the contents of Lord Iveagh's English home.

Scandalous belongs to that school of entertainment where copiering is the chief order of business; it's Audrey Hepburn and Cary Grant are the principals.

Metro-Goldwyn-Mayer's The Wizard of Oz is dedicated to those readers of L. Frank Baum's classic who have remained faithful down the years.

Despite its familiarity abetted by its outings on television, Victor Fleming's film seems likely to remain imperishable.

West German director Wim Wenders has won the Cannes Film Festival's top prize, the Golden Palm, for Paris, Texas.

The production traces the history of the Palace and among the actors contributing their voices are Donald Sinden, Cardinal Wolsey, Richard Griffiths as Henry VIII, and Judi Dench.

This time the painting is expected to sell for between £50,000 and £80,000 (as against the £200 guinea it realised in 1815).

Laurence Olivier. The plot, unfortunately, lacks the crucial fizz of glamorous inconsequentiality.

Poor Michael Keaton loses his job as an auto engineer in Mr. Mum and, when his wife, Teri Garr, becomes the breadwinner, finds that even simple mechanical gadgets—and this is puzzling given his profession—become too much for him.

Thames Television has announced that two more playwrights had been nominated to join its playwright scheme.

The Thames scheme—run through the company's committee for grants to the arts and sciences—offers £3,000 to the sponsoring theatre to encourage the development of promising talent.

Finney's best moments are found early on and his wild imaginings in a nightmare as below in the stables, his young colleague Sparky (played confidently but without pathos by Mark Jeffers) cuddles up with the soldiers' whore (the really excellent Cathy N. Harrison).

The continuity of the leading salerooms will be well illustrated on July 6 when Christie's is selling a painting which it offered at auction a 100 years ago to the day and found no takers.

Arts news in brief

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Serjeant Musgrave's Dance/Old Vic

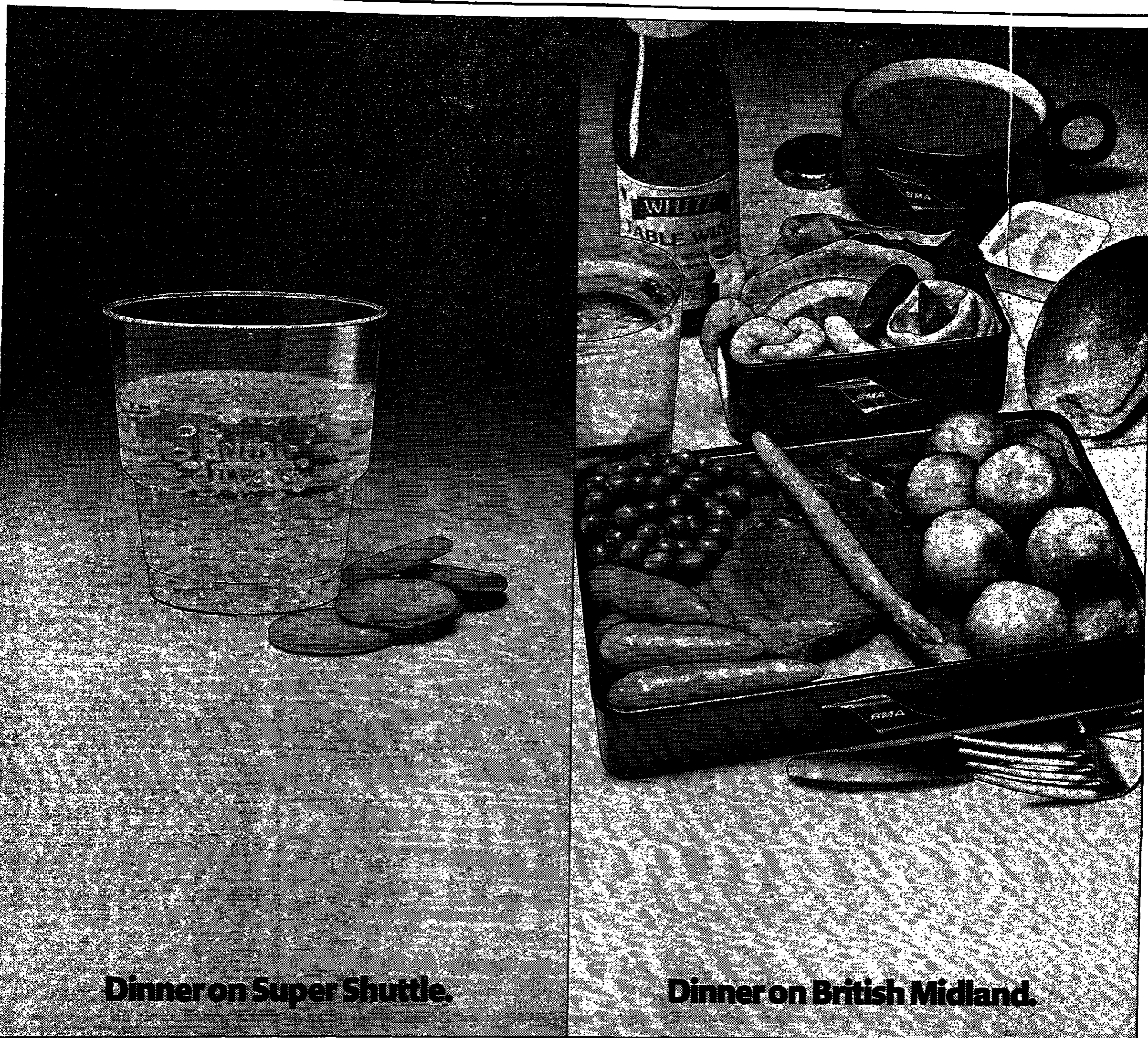
Michael Coveney

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Saleroom

The best prices yesterday were among the silver, a pair of Victorian seven-light candelabras.



Dinner on Super Shuttle.

Dinner on British Midland.

Guess which airline's hungry for your business?

The competition between British Midland and British Airways on the Glasgow, Edinburgh and Belfast routes out of Heathrow is fierce. But there can only be one winner. You, the passenger. Originally BA's Shuttle was a no-frills service. But when British Midland arrived, providing meals on every flight flown by our DC9 jets, suddenly Shuttle became Super Shuttle.

The change of name means they now serve breakfast. But not breakfast, lunch, tea and dinner as we do. Though our rivalry has persuaded the other airline to amend and improve, we doubt whether passenger attitudes have changed much in the eighteen months since an independent survey found that "passengers flying with British Midland generally recorded higher opinions of the

service on offer than British Airways passengers." That service isn't simply food. It's our pre-booking facility, our more relaxed check-in and boarding procedures, our own new departure lounge at Heathrow. The business traveller is our bread and butter. If we don't fly him the way he wants to be flown then our business could suffer. And being hungry is one thing, but starving is quite another.



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Friday May 25 1984

LESS-DEVELOPED COUNTRIES

A dismal outlook—for some

By Anatole Kaletsky

Pragmatism in Malaysia

AN INCREASE in the flow of direct foreign investment would make an important contribution to the economic prosperity of the Third World. Yet developing countries have put so many bureaucratic and fiscal obstacles in the path of investors that the flow of capital is much smaller than it ought to be. There are encouraging signs that, in the harsher climate which now prevails, multinational firms are giving way to a more realistic assessment of what foreign companies can offer.

This week's hint by Dr Mahathir Mohamed, Malaysia's Prime Minister, that his Government is considering relaxing its rigid rules on foreign equity participation is a welcome move in this direction. If Dr Mahathir does indeed abandon or amend the policy which requires foreign investors to hold no more than 30 per cent stake in Malaysian companies, a major change will have taken place.

The country's New Economic Policy (NEP) introduced after the Malay-Chinese riots of 1969, aims to give Bumiputras (indigenous Malays who have been politically dominant but economically subservient to the country's Chinese minority) a greater share in Malaysia's wealth.

Ownership
It has attempted this, first, by increasing the size of the cake through sustained economic growth and, second, by transferring a substantial slice to the Malays through the acquisition of equity in Chinese and foreign companies—often under duress. The last of the UK-owned plantation companies in the former British colony agreed terms earlier this week, which transferred control of their rubber and palm oil estates to the Malaysian authorities.

Since the NEP was introduced in 1970 foreign ownership of publicly listed companies has dropped from 63 per cent to about 25 per cent. By the end of last year the Bumiputra ownership of shares had risen to 18.7 per cent of the corporate sector against 12.5 per cent in 1980.

Pensions and job mobility

THE GOVERNMENT'S initial steps to reform Britain's occupational pensions industry deserve support. Yesterday's consultative paper is right to argue that early leavers from company pension schemes should have a statutory right to a transfer value. They should be able to transfer their accrued pension rights into another company scheme or perhaps into a personal portable pension (if these are approved next month) or use the cash to buy a life office annuity.

At present, schemes can deny leavers transfer values and offer them instead a deferred pension. The right to a transfer will do something to improve job mobility. It complements the Government's insistence last November that deferred pensions should be revalued with inflation up to a maximum of 5 per cent per annum.

However, the mere right to a transfer value is not as substantial as it sounds. In the past it has been mainly only the small schemes that have offered transfers. About 97 per cent of the big schemes covered by the National Association of Pension Funds paid transfer values and 96 per cent accepted them. The Government is not insisting that schemes accept transfer values. So some leavers from small schemes may prefer to leave a deferred, partially indexed pension with their old employer rather than risk an annuity or portable pension—whose eventual value in relation to their final salary must remain unknown.

Value
The main wrangle has not been over whether a transfer is available but over its value. People leaving one company and joining another are often dismayed to find that their transferred pension buys fewer than expected years of service in their new employer's scheme. Actuaries running different schemes make different assumptions and so can disagree radically over the true "actuarial" value of a given set of contributions. The Government shows no sign of wanting to tackle this by setting explicit guidelines.

The Government's reforms, and its probable support for some form of portable pensions, may eventually create new problems, however. The first reflects the conflicting values of paternalism and freedom. The merit of company schemes is that the vast majority of individuals can forget about their old age (and most wish to) because their interests can, at least in theory, be looked after by trustees. This is a division of labour, based on economics of scale, Adam Smith might have approved of.

Portable pensions, though, could leave individuals more exposed—to the patter of life office salesmen. With complex financial contracts like pensions it is no use crying "buyer beware". The average person will be harassed, not helped, by the rival mouth-watering prospects that salesmen will offer if only he leaves the safety of a company scheme.

Salesmen
It is thus worrying that Mr Fowler's reforms seem to be running ahead of steps to regulate properly either the pensions industry or life offices. Professor Gower, in his report on investor protection, stressed the need for much tighter control of life salesmen. This will be more necessary if they are to become more active in the pensions field. Pensions are probably most people's most valuable asset after their house.

It is essential to encourage job mobility, it should be remembered that this is not inconsistent with occupational schemes. Their gross unfairness to early leavers was not inevitable. It is being corrected although there is still some way to go. The pressing problem is to work out how companies' final salary schemes, which have the advantage for employees of a defined benefit, can be made to co-exist with money purchase, portable pensions, which have the advantage for companies of resting on defined contributions. The problem for employees is that with money purchase schemes they cannot know what their contributions will eventually buy. It has been suggested that employees of companies with occupational schemes should be allowed to opt out and that employers should then contribute to their personal portable pensions. This would place obligations on employers with occupational schemes that are avoided by those who have no scheme at all. The net effect of co-ercing some employers into making payments into employees' portable pensions might be the withering of occupational schemes. This is something that Mr Fowler must seek to avoid in his proposals due next month.

"HAVE THE Less Developed Countries bottomed out?" is the title of the latest analysis of the world economy published by Data Resources (DRI), the world's largest econometric forecasting service.

The International Monetary Fund, in its recent World Economic Outlook, answers this life and death question for millions of people as follows:

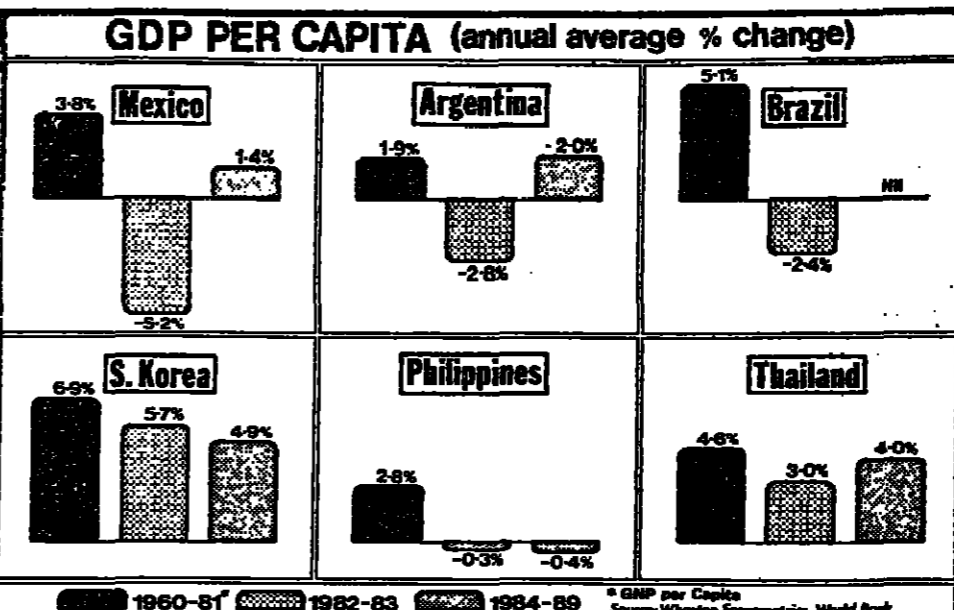
"Developing countries can reasonably expect... relatively satisfactory rates of growth of imports, exports and gross domestic product..." The trouble with this kind of reassuring answer is that it addresses a question which no longer makes much sense; for one of the lasting consequences of the past few years of international economic turbulence is that terms like "Third World" or "developing countries" have lost much of their economic meaning.

The Third World today is a collection of disparate nations which may have some similarities in their relative poverty and in their political aspirations; but their economies are careering in different directions at a bewildering rate. To take comfort from the "satisfactory" outlook for the developing countries in the aggregate, is like standing beside a barnyard nest and expecting that it will be stung because a mild breeze is blowing in the opposite direction.

Thus, while the IMF's "base" projection of a 4.6 per cent growth rate for the non-oil developing countries in 1984-90 may seem satisfactory enough, it is only a semantic point, it is only necessary to consider Mexico, the country which today's conventional wisdom holds up as the clearest possible example of how a grossly over-borrowed nation can improve its economy in a single year if adjustment policies are "undertaken with vigour."

The computers are churning out alarming statistics
indeed many private forecasters expect an even better performance—the situation looks very different from the shanty towns of Manila or Sao Paulo. Not only do such relatively rosy predictions for the latter part of this decade divert attention from the economic wrenching still in store in many developing countries, they also ignore the fact that Brazilians and Filipinos, whose incomes per head will still be far below pre-debt crisis levels by the end of the decade, may feel that they are being cheated if the second half of the 1980s turns out to be a boom era for South Korea, Thailand or even Argentina.

Yet this is precisely the confusing and uncomfortable prospect which lies ahead for the rest of this decade, as forecasts produced by companies like Data Resources and Wharton Econometrics clearly show. The stark contrast, both between nations and between each country's future prospects and long-established historical trends, emerge particularly when the raw rate of economic expansion is converted into another indicator, which is much more meaningful for



countries still in the midst of population explosions, namely the growth of gross domestic product per head (see chart).

International financial officials concede that their computers, by churning out alarming numbers about several of the key developing countries—especially Brazil, the Philippines and much of Africa—even on the optimistic assumptions about the general world economic environment which allow the IMF to state officially that prospects are "satisfactory" for the Third World as a whole.

To see that this is no mere semantic point, it is only necessary to consider Mexico, the country which today's conventional wisdom holds up as the clearest possible example of how a grossly over-borrowed nation can improve its economy in a single year if adjustment policies are "undertaken with vigour."

Banks often present the Mexican experience in their show-room, because of the extraordinary \$12bn trade surplus of 1983. Yet the real domestic product of Mexico declined by 4 per cent in 1983. Adjustment was achieved through import cuts and not by export growth. Only short-sighted analysts can imagine that this is a real success.

Indeed, while Mexico's economy shows definite signs of improvement, with growth prospects of 1 or 2 per cent this year and 3 to 5 per cent from 1985 onwards, depending on whether DRI's or Wharton's latest forecasts prove more accurate, this is scarcely an exemplary performance, given the depressed base from which this growth begins. With population growth rate of 2.6 per cent a year, it will take until 1990 for per capita incomes to rise above pre-crisis level, even on Wharton's more optimistic forecasts.

With Mexico's labour force growing by 3.5 per cent a year, unemployment could still be rising in 1986 and showing no signs of real improvement until the 1990s if DRI's forecasts prove nearer the mark.

The prospects for Brazil, meanwhile, are very much worse according to all analyses. Even official economists in Washington now admit that Brazil can expect no growth in income per capita until 1987 or 1988, even on the high-growth low-interest assumptions built into the IMF's mildly encouraging forecasts.

In fact, as analysts dig deeper into the debris of economic policy models scattered all over Latin America they are concluding that external constraints on Brazil's growth could be far more telling than in Argentina, Mexico or Chile. Their reasoning is particularly ironic.

Brazil used more of its foreign borrowing to support domestic investment and economic output, while the other two countries' borrowing sprees were channelled largely into consumer imports and illegal capital flight (the notorious "condominiums in Miami" which have become a staple of international bankers' folklore).

Thus the loss of foreign capital appears to have been an even heavier blow to Brazil's economy than to Mexico's or Argentina's.

Indeed, in Argentina the capital flight appears to have been so total that the loss of new foreign finance may scarcely impair the country's long-term growth prospects. But if Mexico or Argentina can hardly be viewed as paragons, even by other countries which are in greater trouble, it is equally clear that the hostile world environment cannot be blamed entirely for the collapse in many Third World countries' development hopes.

In fact, the outlook for much of East Asia is as good today as it has ever been, and better than in the 1960s relative to the likely performance of the industrialised world's. Furthermore, the excellent prospects are not confined to the celebrated "miracle" countries like Korea, which seems to have shrugged off the debt crisis, despite a per capita debt level higher than Brazil's, or Singapore, Hong Kong and Taiwan, which managed to power through the 1970s energy

crunch without contracting any significant foreign debt at all. Even the less advanced economies of Thailand, and Malaysia are likely to perform impressively in the rest of this decade.

What is it about these disparate nations that enables them to sail ahead with such consistency, whether the economic climate is fair or foul? No single economic model can encompass all their policies, ranging as they do from Hong Kong's totally laissez faire approach, to Korea's "active industrial strategy" and its "sophisticated use of policy instruments by a competent group of officials," as one international financial institution's recent internal study describes two of the key components of the Korean model.

Neither is it a question entirely of industrial structure or resource endowments. The old distinction between Newly Industrialised Countries and other more backward countries which remain predominantly agricultural, no longer seems as useful as it did in the 1970s. With the crash of the two largest NICs—Mexico and Brazil—the more moderate industrialisation policies adopted by countries like Malaysia and Thailand look much more prudent.

Nor is the possession of oil or any other mineral any longer regarded as a key to development success. Obviously the successful developing countries' location in Asia is a unifying factor. Their proximity to Japan, the world's most dynamic industrialised nation is obviously helpful. Even more important, given the current consumer boom in the American economy, is the high proportion of their exports which several of these Asian countries send to the U.S.

These factors are hardly conclusive, however, as a glance at the Philippines suggests. The likely slump in the Philippines' output this year is estimated at anything from 2 per cent to 6 per cent and after that there appears to be little prospect of

significant per capita growth until the end of the decade. The Philippines indeed appears almost like "a corner of Latin America in Asia," as one World Bank official suggests. "Perhaps it has something to do with the Spanish language," he adds.

Apparently frivolous remarks like this may in fact have a deeper meaning. To the observation that many of the most successful developing countries have no natural resources, another World Bank official adds: "Resources create economic rents—rents create vast inequalities—and inequalities create political vested interests."

The absence of domestic resources has clearly been a factor as well in the most fundamental decision which most of the successful Asian economies were forced to make a decade ago: they have geared themselves consistently to trade with the outside world and have always favoured their exporters over their domestic consumers when it has come to setting exchange rates.

Another feature which the successful developing countries appear to have in common is a social culture conducive to competent and reasonably equitable government. Although they are by no means free or democratic, many of these countries appear to have established a degree of social consensus and a form of government by consent.

One economic indicator, which distinguishes the Latin American development experience most sharply from that of the successful Asian countries, does give some force to this

A small minority of entrenched economic groups

rather speculative conclusion. The inequality of incomes is far greater in practically all Latin American countries than in any other part of the world. In Brazil, for example, the top 10 per cent of the income distribution receives no less than 50 per cent of the nation's total household income, while the bottom 40 per cent gets just 7 per cent. In Korea, by contrast the corresponding figures are 27 and 17 per cent. In fact, Korea's income distribution is more equal than that of many industrialised countries.

Statistics like this obviously do not prove that equality is the key to economic success. But even more obvious factors in international trade performance, such as exchange rate policies, are dictated in many countries by the interests of a small minority of entrenched economic groups.

In the years ahead, assessments of different developing countries' economic models will become a central concern of the international financial markets. And even bankers, to say nothing of IMF officials, may have to start paying more attention to political factors like this.

Accountants in revolt

Punch-ups between pin-striped professionals are among the more entertaining pugilistic bouts. Which is why I look forward with eager anticipation to further rounds between the young chartered accountants in London (young means under 35 years old by the legally-calculated definition) and their elder brethren.

About 1,000 under-35s belong to the London Young Chartered Accountants Group. They are in open revolt against a move by the Institute of Chartered Accountants in England and Wales to quell future rebellions by changing the rules of the institute.

Porter, a chartered accountant these last eight years, who works for Butterworths the publishers, is leading his troops into the fight. He is chairman of the young chartered accountants' group. This year, "This could go as far as the Privy Council," he warns. Underlying the dispute between the young bloods and their seniors is the growing dissatisfaction of the younger element with current cost accounting, coupled with a feeling that

if reforms are to be achieved in the accountancy trade the under-35s are best likely to see them.

Young feathers have been ruffled by a proposal by the national institute to increase the requirement to call a special meeting to make current cost accounting non-compulsory. A special institute meeting to consider the proposed rule changes will be held at the institute's Moorgate headquarters on June 5 after the AGM. Porter's group wants "a show-down" that day and is advertising for support from all young accountants.

Added power
The first public display of auditor power—at least on a European scale—has stirred the usually sleepy Grand Duchy of Luxembourg. Civil servants at the European Court of Auditors have laid their calculators to one side to write an appeal to President Mitterrand of France to persuade fellow EEC countries to sign a joint defence treaty. Such a move, the auditors suggest, could relaunch the EEC with the same vigour that Jean Monnet's coal and steel community gave to its inception. But it is strange that none of them has noticed that President Mitterrand has been airing his views on the desirability of a

Men and Matters

deavour, will all win eternal glory and individual satisfaction. So let's live the limited life utmost." There really is no more to be said.

Time out
Until the British Tourist Authority mounted its new campaign pushing "The Great British Heritage" I confess I had not properly grasped the rich diversity of this land of ours.

But the BTA has done its homework. Here is a possible itinerary culled from its roundup of great British activities. Head first for Oxfordshire to catch a demonstration of hand milking a herd of stoboroughs. Then to Suffolk where they promise to "highlight the association locally with the period of captivity of Mary Queen of Scots." For some reason as yet unexplained this corner of the heritage is attracting a party of 40 from Pakistan.

A pageant at Coalbrookdale tells the story of Abraham Darby's coke smelting discovery promises to be a real turn-on for the kids. And when the family fires of coke move on to Swindon to visit the locomotive works by arrangement. There will be visits to "an 18th-century mining community" at Kirkby Stephen—but no plans as far as I can discover, to shake hands with a 20th-century miner belching in traditional fashion on his pick-up line.

There is a chance to meet a Cumberland wrestler, and then to move to Lancashire for some witchcraft.

Edited
From Warsaw comes the story of the Moscow woman who told a neighbour that her son, a magazine editor had published a very unflattering article about the Politburo.

"Oh, I am sorry" said the neighbour. "He was only a young man, too."

Observer

Iron trade

When the Japanese premier, Yasuhiro Nakasone, sits down for his friendly bilateral chats with Mrs Thatcher in London next month a lot of the discussion is bound to be about how to promote the inflow of Japanese high technology investment into Britain.

But, with a leadership election in his own party now on the horizon, there is one piece of advanced technology that Nakasone hopes Britain can export to Japan.

He told an FT man in Tokyo this week that he will be requesting information on—"How can we be an iron statesman?" "I will be asking Mrs Thatcher for a transfer of know how," he added.

Last word

It is well known—and I have from time to time noted—that the Japanese are capable of doing strange things to the English language. Tee-shirts are probably the most common source of such exoticia but my diligent observer in Tokyo found this piece of resistance in a clothes shop window on Aoyama-dori, the street famous for its boutiques.

It runs as follows: "Here healthy people who drain refreshingly sweat gather. Here people who know the pleasure of creation gather. Here people who fill the value of designing one's life plentifully gather. "People with soul, body and sound mind, who will en-

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POLITICS TODAY: THE ALLIANCE

Time for a little tenderness

By Malcolm Rutherford

JUST after the European elections next month, a huge converted rubbish van will tour the streets of London. It will be labelled "The Alliance Vote Cruncher" and designed to look as much like a monster as possible.

The Fair Votes Campaign will be going into action, having received 1m signatures in favour of electoral reform since last autumn. The monster will gobble up paper in an attempt to symbolise the distortions produced by the present voting system.

The campaign is all-party, though inspired by the Liberal-SDP Alliance. And the aftermath of the European elections should be as good a time as any for it to launch its next phase. For it is widely assumed that in those elections the Alliance will do reasonably well in the percentage share of the vote, but win a negligible number of seats—if any.

My own guess is that that estimate is too downbeat. Mr Neil Kinnock, the leader of the Labour Party, took a high risk when he said on BBC Radio 4 last Sunday that there was no chance of the Alliance coming second in the vote. The Alliance may well poll more than one-third of the votes cast. But the number of seats won would still be very small.

First, however, some words about how the Alliance has been going since the general election last June. Dr David Owen, the SDP leader, now admits that he was close to despair—or at least going back to medicine—when the election results came: only 28 per cent for the Alliance and only six SDP MPs.

He says that he reached three quick conclusions:

● The leadership had to be changed if the SDP was to survive.

● The Party would require a very high profile if it was to be kept in the public eye.

● There would have to be a radical change in policy direction to get rid of the baggage of the 1960s.

There was also a personal decision: cancellation of the summer holidays if the aims were to be achieved. Mr Owen pulled it off within a few months. He succeeded Mr Roy Jenkins as leader without undue pain. His own profile has been kept relentlessly high ever

since, not least by his performance in Parliament. And he showed the Party into the 1980s by embracing the social market economy, or Thatcherism with a human face, at the SDP conference in the autumn.

But it was not until the by-elections this month that Dr Owen says that he believed that the Party's fortunes had been retrieved. He was particularly pleased by the SDP coming second, ahead of the Plaid Cymru candidate, in Cynon Valley, and second again in Stafford with a candidate whom Dr Owen had nursed from the start.

There is an important point here, Dr Owen still thinks much more about the SDP than about the Alliance. The achievement of the by-elections, he says, was that the SDP had shown that its candidates could do quite as well as the Liberals in comparable situations.

The need for the SDP to maintain a separate identity remains at the top of his political agenda. One reason is that he distrusts the Liberal Party leadership, but the Liberal Assembly which reminds him too much of the Labour Party left.

A plus point for the SDP, he claims, is that the Party has never said anything silly, whereas the Liberals are capable of saying silly things at any time: for example, on defence or Northern Ireland, Mr David Steel, the Liberal leader, notwithstanding Mr Steel says, incidentally, that at least his Party has not got any worse in this respect in the last few months.

Dr Owen has another aim which will be developed over the next few months. He believes that a leader of his or her party a really big jolt over policy only once and preferably at the beginning. (Not for the first time, the analogy with Mrs Thatcher comes to mind.) He did that at the Party conference. Now he would not mind—to use an inapposite term—a drift back to the left. He says that he has been slightly misinterpreted. The speech on the social market economy stressed both toughness and tenderness. But it was the toughness that was picked up.

In future the emphasis will be more on the tenderness: the



David Owen and David Steel: on the European trail.

heart rather than the head. Dr Owen claims that his natural instinct is still to work with Labour rather than the Tories. The politics of the heart, he believes, are about redistribution and greater equality. That is what he is in politics for. These will be the themes of some of his speeches later this year.

In this he is remarkably in tune with parts of the Liberal Party. Mr Michael Meadowcroft, the Liberal MP for Leeds West, who sometimes seemed resistant to the idea of the Alliance, turns out to be a strong admirer of Dr Owen. They could work together on the development of a common philosophy, though the SDP line

at present is that it is still too early.

Much of that goes back to the need to preserve a separate identity. There are no immediate problems here. Both parties recognise the imperative of co-operating as closely as possible, and indeed they are doing so in the European elections.

The idea of a merger has also been mutually dismissed, at least this side of a general election. It would create too many practical difficulties of changing constitutions and so on. Instead both parties have accepted that they need each other for the foreseeable future: an electoral pact.

Yet there may be some trouble ahead. Dr Owen has still not given up his opposition to joint selection of candidates for Westminster by Liberals and SDP members. Again, the Liberal Party want a rather higher allocation of seats to be contested at the next general election than they had in 1983.

One Liberal MP said that he thought it would be foolish to seek to push the SDP below 250. Mr Steel talks about a possible net reallocation of about 90—the original idea of the Alliance was rough parity. So it can be seen that there is sensitive ground to be covered.

Again, when it does come to policy discussions, the two parties still do not always see eye to eye, the outstanding example being defence (a question not yet resolved by the Labour Party either).

There may be also a longer term weakness. There has been a considerable lowering of sights since the days of the Crosby and Hillhead by-elections, the talk of a Prime Minister-designate and the hopes of a permanent Mrs Thatcher's first term. The main aim now seems a hung Parliament next time.

Perhaps that shows greater realism. Yet there appears to be an expectation that it will simply fall into the Alliance's lap as part of the logic of history. Dr Owen says that the SDP's main thrust will come in 1988 when unemployment is still high, people are more aware of the poverty problem and there will be local elections. Mr Steel talks of developing policies on profit sharing and employee participation and a negative income tax. Both claim that the Labour Party is still declining. But there is not yet much of a co-ordinated approach.

Still, in the short term the European elections are what matter. These are inevitably a hybrid affair. On the one hand, the electorate is being asked to state a national party preference. On the other, there is an amorphous idea in the background that it is being allowed to say something about the future of Europe.

Personally, I should like to see lots more cross-frontier campaigning, the beginnings of trans-national party alliances, a re-awakening of European federalism, or at least a greater

realisation of common problems. For instance, can Europe collectively deal with unemployment?

But it seems that in Britain we shall have to settle for a contest about who comes second: Labour or the Alliance. Even that may be qualified by arguments about the size of the turnout, if too many Labour voters stay at home to make it a proper test of national opinion.

Yet the Alliance ought surely to do well, and it will be a pretty bad failure if it does not. It is, after all, the grouping that has most come to terms with membership of a wider community. The Tory manifesto is still heavily nationalistic and the Labour manifesto is still grudging about being in at all: there seems to be even less of a campaign for a socialist Europe than there was last time.

All that should help the Alliance which, it should be remembered, did not exist when the first direct elections took place in 1979. Besides, the first year of Mrs Thatcher's second term has not been entirely a happy one. There should be plenty of scope for protest voting without the risk of overthrowing the Government, scope for tactical voting, too, if the electorate is made sufficiently aware of the context.

There is even the odd seat which the Alliance could win under the present voting system and not only in the Celtic fringe of Cornwall and Plymouth and Highlands and Islands. On the list of possibilities are Lothians, South of Scotland, Northumbria, Leeds and Merseyside West.

Because of the size of the constituencies canvassing has its limitations. Many of the candidates and the electorate are likely to be in the dark until the results are declared. Yet there must be a question in the back of the mind about that. It could certainly be the case that the governments may find it easier to persuade people of calibre to work in the Commission if they were guaranteed a worthwhile job. Portfolios are shared out in an uneasy and often rancorous first meeting of the new Commission.

It cannot be seriously argued that all Commissioners with "important" responsibilities such as transport (Louis Kotageorgis of Greece who

Lombard The overmanned Commission

By John Wyles in Strasbourg

THE European Community's Foreign Ministers will be relaxing in the Provençal countryside of France this weekend almost certainly discussing, among other things, whether they should seek to divide 17 into 10. Their decision is an important one and any minister anxious to do his homework beforehand should read and inwardly digest "Proposals for Reform of the Commission of the European Communities and its Services."

Written in 1979 and only partially implemented by the Commission headed by Roy Jenkins which called for it, the Spierenburg Report as it came to be known, firmly advised member governments that 17 would not go into 10 at all satisfactorily. Seventeen will be the total complement of Commissioners if the Commission is manned on the present basis after the EEC is enlarged to include Spain and Portugal in 1984—although the present state of the negotiations suggests that enlargement could be delayed until 1987.

Ten is the number of real jobs which, in Mr Dirk Soierenburg's view, the Commission can in fact offer. The review body headed by this former Dutch minister suggested that the Commissioners should be reduced in number from the beginning of 1981. Governments refused to grant the seats in 1980. Will they do so now?

There are several reasons why they should. The proposition before them is that every country should appoint only one commissioner instead of the large countries—France, UK, Italy, West Germany and, ultimately, Spain—nominating two. If everyone was limited to a single commissioner it is first argued that there might be an immediate gain in the quality of men—and perhaps one day women—sent to Brussels.

It could certainly be the case that the governments may find it easier to persuade people of calibre to work in the Commission if they were guaranteed a worthwhile job. Portfolios are shared out in an uneasy and often rancorous first meeting of the new Commission.

It cannot be seriously argued that all Commissioners with "important" responsibilities such as transport (Louis Kotageorgis of Greece who

also does fisheries), social affairs (Ivor Richard of UK) and regional affairs (Antonio Gollitti of Italy) are actually overworked. Spierenburg argued for combining competition and transport, social and regional affairs, agriculture and fisheries.

He also claimed that the Commission's work was extremely poorly co-ordinated and that a body of 12 should be employed on 10 portfolios with a president taking overall charge and a permanent vice-president in charge of internal co-ordination. Such an arrangement, said his report, would ensure more efficient administration.

The report also acknowledged the arguments against a slimming down exercise: that after enlargement Commissioners would have to travel more frequently over greater distances, that having to function in Brussels, Luxembourg and Strasbourg was already a considerable strain on Commissioners and that a larger Commission reflected the relative size of member states and the political balance between them.

None was found convincing and Spierenburg went out of his way to remind governments that "the Commission's role in defining the interests of the Community as such does not require the number of members to be weighted by nationality." But he was clearly doubtful of a warm welcome for his recommendation in EEC capitals and urged, as a second best, the creation of Commissioners without portfolio if the Commission was to remain full-sized. These would assist four of five of their colleagues with particularly taxing portfolios.

Where governments are in their thinking on the future Commission is not at all clear. Within Whitehall there are some strong supporters of a smaller Commission and France and West Germany are said to be "persuadable." Italy is thought to be resolutely opposed on the grounds that coalition politics in Rome would be even more difficult to manage if only one nominee had to be found.

No one should be surprised if the status quo prevails, but if it does the president of the next over-endowed Commission, whoever he is, deserves our real sympathy.

Bemused by tax changes

From Mr D. Brooks

Sir,—Mr Taylor, May 23, is mistaken if he thinks businessmen are bemused. Our worry arises from a most "objective" appraisal of the resources and incentive that will be taken out of industry, not just from the fact that we shall have to pay more. Corporation tax is a tax on efficiency and for many the effect of the changes is to increase this tax from nil to 35 per cent. I can assure Mr Taylor that so large an increase concentrates the mind wonderfully and that all appraisals are very "objective" indeed.

Yes, we would "rather escape all tax (on efficiency) in a system designed by Calgula, than pay a modest (35 per cent) levy to Augustus." Mr Heaton underrated that too when he increased CT by 25 per cent, and so we opted for Calgula. Conservatives, take serious note.

David Brooks, 245, Whitehorse Road, Croydon, Surrey.

Confusion abroad

From Mr A. Rush

Sir,—The criticism in your editorial (May 17) of Government attempts to "control" subsidies/capital expenditure was totally justified and most timely as far as I am concerned.

As a practitioner in local government finance who has to interpret the Government's edicts on capital controls and who is about to complete yet another capital expenditure return, I can confirm the accuracy of your comments. Since the Planning and Land Act 1980 local authorities have become increasingly embroiled in the Government's own peculiar dream world of cash limits and pseudo-accounting, which bears no relation to the realities of life. It is just not a practical proposition to attempt to plan capital spending in a local authority on an annual basis in accordance with limits issued more than 3 months before the start of the year.

You mentioned the confusion caused by the stop-go aspect; to this can be added the complications brought about by the powers of the Secretary of State to redefine what qualifies as capital expenditure, to restrict capital receipts and to restrict the proportion of capital receipts which can be used.

All the detailed controls must be costly to administer and are totally unnecessary; a system of control along the lines you suggested which would relate to borrowing and cover a longer period than one year would be easy to devise. Such a system

Letters to the Editor

would work with minimal monitoring in conjunction with the even more effective constraint of grant penalties (and rate capping) which cause local authorities to cut back on many kinds of capital schemes because of the revenue impact.

A. Rush, 49, Quetz Road, Westgate-on-Sea, Kent.

Misunderstood Swiss secrecy

From Dr F. Mann

Sir,—Your leading article "A warning for Swiss bankers" (May 22) states that the key section of the proposal rejected by the electorate related to the evasion of foreign tax legislation and foreign exchange control. Had the vote gone the other way, the Swiss authorities would have been bound to requisition evidence from the banks to support foreign judicial authorities investigating such offences alleged against their own citizens.

Is there any civilised country

in which the authorities are under a duty such as, according to you, the rejected Swiss legislation would have imposed? I suggest that there are very few, if any, authorities which are bound (and entitled) to obtain evidence from banks to support foreign judicial authorities investigating offences against their tax or foreign exchange legislation. No such right or duty, I suggest, exists in this country. The Swiss law relating to the position of their banks is much misunderstood and distorted.

(Dr F. A. Mann, 35-37, Cannon Street, EC4.

Employee benefits are protected

From the Head of Policy Unit, Institute of Directors

Sir,—Mr Alec Smith of the National Union of Tailors and Garment Workers (May 18) very much overstates his case about the position of his members' entitlement to State benefits following a company insolvency.

Let it be quite clear that, as Dr Rhodes Boyson MP, said in a recent Parliamentary answer, "unpaid Class 1 National Insurance contributions are normally treated as having been paid on time for employees where the failure to pay was not with the consent or connivance of or attributable to any negligence on the part of the employee."

The fact that employees' benefits are protected notwithstanding the fact that a business may have closed leaving some contributions unpaid is a major protection for employees. Of course, the possibility of delay exists while the circumstances to which Dr Boyson referred are checked by HM Revenue and Customs. A worker is able to show pay slips testifying to his status as an employee and recording deduction of National Insurance contributions there can be little excuse for any significant delay in payment of benefits.

It is unfortunate that Mr Smith seizes upon such administrative delays within the DBSS as may exist to pursue quite

Export credit subsidies for capital goods

From the Director of Studies, Trade Policy Research Centre

Sir,—In his letter (May 15) on subsidisation of export credit the Economic Director of the Department of Economic Development Office failed to clarify the issues involved. While it is impossible to deal with all of the points contained in his lengthy letter, one essential issue needs to be addressed, namely, how Britain should react to subsidisation of export credit by other governments.

Contrary to Dr Morris' suggestion, the existence of subsidies by others creates no presumption whatsoever in favour of the provision of matching subsidies. If other countries will provide the subsidy whatever Britain does, the resulting set of opportunities for trade is a datum. The argument for free trade in Britain is unaffected by what determines the set of opportunities. To subsidise export credits means that a gift is being made either to the buyer overseas or to the domestic producer or to both. In the former case the cost to Britain is obvious, but even if the domestic producer will enjoy higher profits, output and

employment than otherwise, someone else in Britain has to pay the price.

It may be argued that the subsidy policies of other countries are unpredictable and the international opportunities correspondingly uncertain. This may be correct (although I know of no empirical support for the proposition), but if Britain cannot affect those policies the problem is exactly the same as that created by instability in completely free markets.

The only economic distinction between low prices created by subsidisation abroad and low prices created by competition derives from the possibility that the policies of other governments will be influenced by our own. Even under this assumption, however, the case for countervailing subsidies is far from watertight. One can regard British subsidies as a sort of investment "project" to improve Britain's terms of trade. Thus, multilateral reductions in export subsidies, if it may be argued, will raise the price that Britain can obtain for its exports of capital goods at some time in the future. The resulting improvement in economic welfare in Britain would be the benefit of this "project" and

another objective—namely to seek to perpetuate legislation which imposes personal liability upon company directors without proof of fault.

If Section 152(4) of the 1975 Social Security Act which imposes this liability were to be repealed, far from there being one law for working people and another for employers there would be an exact parallel.

This is because directors would remain personally liable for unpaid National Insurance contributions where, under Section 147 of the 1975 Act, their consent, connivance or neglect was shown to have been responsible for non-payment. Employers and directors would be in precisely the same position. Personally, I think that a special loss only on proof of fault.

Surely this is the balanced and responsible position to which all those who are concerned to see the success of companies and the preservation of businesses and jobs must be striving.

G. C. S. Mather, 116, Pall Mall, SW1.

Electricity costs for industry

From the Managing Director, Bluebird Toys

Sir,—I am sure that the majority of industrial electricity users were as horrified and surprised as I was to see (May 10) the usual cost shown in the table compiled by the National Utility Service.

My enquiries (made locally) show that it is only the very large industrial consumers of approximately 10,000 persons per site who would obtain a price as shown in the table. Further, this would apply to no more than 10 per cent of industrial/commercial users. It is therefore wrong of you to permit this information to be published, indicating to industry as a whole that they are getting very favourable terms, when it is clearly not the case for the vast majority of them.

Our own costs for a 90,000 sq ft factory, manufacturing, assembling, storing and distributing toys on a high voltage 250 kVA supply averages 4.7p 4.9p per unit—50 per cent higher than that indicated in the table. Undoubtedly the majority of industrial and commercial users would be similar.

May I enquire of the Electricity Board what its own computer analysis shows as an overall kw charge for industry—including fuel surcharges, maximum demand, etc, regionally and for the UK as a whole? I believe this will show that the UK is currently being penalised by being among the highest charged electricity users in the industrial nations.

T. Charnock, Cheney Manor Industrial Estate, Swindon, Wilt.

Lubricating sticking drawers with candle wax is a useful tip known to most owners of old furniture. But wax has exactly the opposite effect when it comes to lubricating truck engines.

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Advertisement for Mobil Waxing. The text reads: "Waxing lyrical". The background features a dark, textured area with a white leaf-like shape.

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DANUBE DAM PROJECT POSES TEST FOR KADAR GOVERNMENT

Greens take root in Hungary

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE GREENS have reached Hungary. Thousands of politically active environmentalists, many of them prominent citizens, plus a few regular dissidents have signed petitions urging the Government of Mr Jan Kadar to pull out of a joint Danube dam project with Czechoslovakia.

The opposition is an increasing embarrassment to the Kadar Government, itself divided on the dam issue but publicly constrained by commitments to a communist ally.

It also poses a key test of "Kadarism", the process of government that has evolved in Hungary. As one opponent of the dam says: "It is a challenge for people to stand up and be counted, and a test of how far the official principle of consulting public opinion is put into practice."

The aim of the joint project is to tap the Danube's hydro-electric potential - offsetting for Hungary and Czechoslovakia some of the impact of cuts in Soviet oil and delays in nuclear reactor construction - and to improve navigation.

It will bypass the last major shallows on the Danube and combined with the probable opening this year of the Romanian canal bypassing the Danube delta, and the planned West German Rhine-Main-Danube canal, will mean a new route for big ships to sail from the Black Sea to the North Sea.

The Czechoslovak part of the scheme is the creation of a vast storage lake South-East of Bratislava, with a side canal diverting most of



the Danube water for 15 miles. Water from the new Danube lake will be released in surges through the canal to generate peak-time power at a 720 MW hydro-electric station at Gabčíkovo. Nearly 125 miles downstream the Hungarians are supposed to be building a dam at Nagymaros, partly to generate more peak power with 158 MW turbines and partly to contain the water surges from the Gabčíkovo canal.

Both governments have had plenty of time to contemplate the programme. Even before a firm agreement was signed in 1977, the water authorities of the two countries had years to commit their prestige to the dam, and that is part of the problem.

Czechoslovakia, with a political system much less mindful of dissident opinion, is forging ahead, and the Gabčíkovo canal is under way. But Hungarian moves have been

desultory so far. It stopped work at Nagymaros in 1981, citing lack of funds for a scheme where its share of the cost is 40bn forints (5846m).

Last October the Kadar Government signed a new agreement in Prague, recommitting itself to the project, letting the original date for completion slip four years until 1984. What angered many Hungarians was that their government did not wait for completion of its own project evaluation studies before acting, says Mr Janos Vargha, an environmentalist on one of the study committees.

Inevitably in East Europe, nationalist suspicions enter the dispute. Some Hungarians allege that the Czechoslovak canal is a ruse to alter the frontier by effectively moving north the river which marks the boundary. They say Hungarian-speaking areas in Czechoslovakia near the canal are being "Slovakised" by the influx of Slovak work-

ers, and that the canal is a ploy to bolster business for Bratislava. A new international river port is being built there with Comecon (and thus Hungarian) money, taking shipping away from Budapest.

The thrust of the Hungarian petitioners' arguments is economic and environmental and is echoed by some Czechoslovaks. The Gabčíkovo-Nagymaros project runs against the world trend towards using oil for peak power production and hydro-power, along with coal and nuclear power for regular output, they point out.

Hungary needs more regular, not peak, power stations, but the Nagymaros cash drain will make it harder to build them. In any case, the Danube is often at its lowest level in winter, before Alpine snow has melted and when demand is highest.

Slower movement of the Danube through the Gabčíkovo storage lake will clog it with weed, it is argued, while the general raising of the water table near both parts of the project will spread pollution into rich surrounding farmland.

Mr Vargha says that many Hungarian villages get their drinking water straight from river bank wells, and the alternative of artificially purifying river water will cost 1bn forints a year.

The Kadar Government has recently imposed a virtual press blackout on the subject, although some officials are thought to sympathise with the dam's opponents.

London markets hit by worries in U.S.

By Philip Stephens in London

PRICES FOR British shares and government bonds fell sharply yesterday as fears of higher interest rates and concern over the future of U.S. banks spilled over into London's financial markets.

Shares suffered the second biggest daily fall on record, with the FT Industrial Ordinary index closing 21.2 points down at 2264.4. Gilt prices dropped by as much as 82 in what brokers said was the worst trading for more than two years.

Initial losses in both markets reflected a strong rise in British money market interest rates in response to higher levels in the U.S. and the weakness of sterling.

The increase brought renewed speculation that British banks would soon have to raise their base lending rates from present levels between 9 and 9 1/2 per cent.

Rumours that another major U.S. bank faces financial difficulties then brought further selling in the gilts market and big losses for bank share prices.

Some brokers said the gilt slide had been partly triggered by rumours that a major U.S. institution had sold large quantities of stock.

The general uncertainty on financial markets also encouraged investors to put their funds into short-term instruments rather than bonds.

Sterling's recovery against a plummeting dollar in New York came too late to offer any succour to the London markets.

Our markets staff adds: The Tokyo market managed to distance itself from the worries afflicting its counterparts in London and New York. Although trading there had ended yesterday well before the other two centres opened, sentiment in equities and domestic bonds was severely affected over the past week by setbacks encountered in other markets.

But yesterday brought the fourth largest gain recorded in the Nikkei-Dow market average, which soared 228.26 to 10,251.72. However, trading activity picked up only slightly from the previous day.

Yields on well-traded Japanese Government bonds edged slightly downward despite the previous afternoon's retreat in U.S. Treasury securities.

Lex, this page; Stock markets Pages 31 and 35-37

Shell U.S. offer is extended

By William Hall in New York

ROYAL DUTCH/Shell, the European oil company, announced yesterday that it controlled 94 per cent of Shell Oil, its U.S. subsidiary, and was extending the \$58 per share cash tender offer until May 30.

SPNY Holdings, a subsidiary of Royal Dutch/Shell, announcing the second extension of its controversial tender offer, said yesterday that 76.5m shares out of the 94.7m remaining Shell Oil shares in public hands had been tendered under its offer, which expired last Wednesday.

Royal Dutch/Shell's offer for Shell Oil has been criticised because many small shareholders believe the price is too low. Their case has been supported by a U.S. court which has temporarily blocked the bid and asked Morgan Stanley, Royal Dutch/Shell's advisers, to take another look at confidential information on Shell Oil's oil reserves, in order to determine the fairness of the offer to minority shareholders.

Royal Dutch/Shell was unable to say yesterday when the bank's opinion of the offer's fairness would be published, but said shareholders would be able to hand back their shares to Shell if they wished during the 20 days after publication.

THE LEX COLUMN

Bitter cocktail from Manhattan

Stockbroking firms were calling up all veterans of the 1974 campaigns for active service yesterday as the whiff of a bear market continued to drift across the City of London. The 53.5 point fall in the FT 30-Share Index seen over the past three days may turn out to be no more than another correction, inspired this time by U.S. selling, but it is disturbing to see so little evidence of local support at a time when the institutions are by no means short of cash and profit statements are doing nothing to dispirit the market's earlier confidence.

Yesterday, equities and gilt-edged were savaged in roughly equal measure. The miners' dispute and the Gulf crisis have both taken their toll on confidence, but at the heart of the present malaise is undoubtedly the fragile condition of the U.S. banking industry and the associated nervousness of Wall Street's financial markets.

Gilt-edged staged several peremptory rallies but, at the end of the day, losses of at least two points had been recorded at the long end of the market. In the circumstances, there is little for the Government Broker to do except wait on the sidelines and hope that external items will come to the rescue of the monetary aggregates. The market itself is still revising upwards its expectations of monetary growth in the latest banking month and is eyeing the exchange rate nervously for signs that the Bank of England may step in to brake the fall. Yet, at the moment, there can be no guarantee that half a point on base rate would stop the rot.

Particular graft features of System X on to its existing public switching product in the U.S. - but the company is not short of either financial muscle or, to judge from recent results, engineering and marketing clout.

Profits in the year to March rose a fifth to £176m pre-tax, a figure struck after stock write-downs of £5.5m. Earnings have risen almost twice as fast thanks to a tax rate which is falling and should barely be disturbed by the changing fiscal regime.

Leaving aside the persistently troublesome computer peripherals, every division is showing encouraging growth and the underlying order intake is strong. Meanwhile no matter how much money Plessey spends, it still manages to generate cash.

Cater Allen

Cater Allen's rights issue is a bold affair in every respect. The company took the bear by the paws in announcing an issue carrying a rights discount of just under 15 per cent on one of the worst days for the equity market in memory. Braver still, however, was the implicit message that Cater plans to chart its own course through the market rapids. A rights issue at this point is tantamount to a declaration of independence.

The sum being raised - roughly £9m - will not have Merrill Lynch quaking in its boots but it should provide Cater with a modest capital base for market-making in short gilt-edged. The Bank of England has not wavered in its insistence that no fresh capital should be injected into the discount market, so the proceeds will be kept to one side until the gilt-edged dealing rules are loosened.

Cater accompanied the announcement with a very respectful

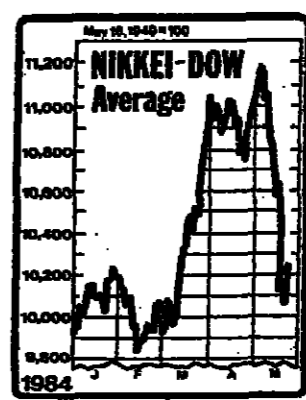


table set of preliminary figures, although it neglected a glaring opportunity to move to full disclosure. There is no earthly reason why shareholders should be expected to provide additional capital to Cater when they have little idea how much capital they own already.

Japan

After falling more than 10 per cent in three weeks, from its historic peak, the Japanese equity market could scarcely have remained in free fall for very much longer without casting doubt on the laws of physics. Correspondingly, a bounce yesterday of 228 points in the Nikkei-Dow index - apparently the fourth-largest rise in the history of the Tokyo market - may not be saying an awful lot about where the market is going next.

A definite weakness of the market, on the way up, was that foreign investors' took rising prices as a chance to sell stock to the highly liquid Japanese institutions; foreign funds have been consistent sellers of the Tokyo market since February. This did not matter so long as domestic confidence remained strong; but the vulnerability of the yen to soaring U.S. interest rates; and of the Japanese economy to disruptions of its oil supply, were enough to choke off some of the local buyers. The liquidation of very large margin positions then naturally ensured that the fall would gather speed.

Japanese investors are still wallowing in cash, and yesterday's rally could help to reinforce belief in the idea that 10,000 is a well-supported floor value for the Nikkei-Dow index. Moreover, their sustained selling ought to have left many foreign funds in a position to start picking up blue-chips - which they frequently had to sell when second-line stocks proved unmarketable - at prices which are often between 20 and 30 per cent off the top, and at multiples typically in the mid-teens. That is cheap by Japanese standards, assuming that confidence is repaired; but in that event Japanese investors would most characteristically lose interest in p/e ratios.

The catch is that the parallel weakness of Wall Street will have siphoned off the liquidity which underpins the market. So if there is a rally some will treat it as yet another chance to sell. At least yesterday saw more sizeable foreign buying than for many weeks past.

Cockerill Sambre lay-offs accepted

By Paul Cheswright in Brussels

THE PLAN to return Cockerill Sambre, the state-owned Belgian steelmaker, to financial health took a decisive step forward when union leaders in Liège accepted a plan for lay-offs and wage reductions.

Early retirement for workers of 55 will start almost immediately. Those who remain are accepting an effective 10 per cent pay cut which will be achieved by foregoing increases to which they would normally be due under Belgium's system of pay indexation. Employees changing jobs as part of the reorganisation of the group will not lose wages for doing so.

The management and unions have, however, agreed to a 36-hour working week, to come into effect next year. A 35-hour week will come into effect at the beginning of 1986.

As part of a broader regional financing plan the Government has provided new funds for Cockerill Sambre, effectively recapitalising the group. A production sharing agreement has been reached with Arbed of Luxembourg, clarifying the question of which plants to close.

The group will receive BFf 27bn (\$483.2m) of further state funds for new investments and operating losses once the European Commission has been convinced that the group can achieve financial viability by the end of 1985.

UK offers more offshore blocks to international oil industry

BY DOMINIC LAWSON

THE BRITISH Government is opening up 195 blocks for the international oil industry at the start of the ninth round of UK offshore oil and gas licences.

In a House of Commons statement yesterday Mr Alick Buchanan-Smith, the Energy Minister, said that he expected to licence about 80 of the blocks, after the oil industry had made its bids by the closing date of December 17.

The round's most novel characteristic is the offer of 38 blocks in the deep water frontier areas of the Rockall and Faeroes Troughs. These unexplored areas will be among the most hazardous and speculative ever prospected, but the Government is twisting the oil industry's arm by saying that applicants for these areas will be treated more favourably in the awards of more obviously desirable acreage. It appears that the oil industry is

prepared to take up the Government's challenge, and several new consortia have been formed to bid for the frontier areas.

The speculative nature of the West Coast frontier blocks was highlighted by the publication a fortnight ago of the Department of Energy's Brown Book. This estimated undiscovered reserves off the west of Shetland and mainland Scotland as anything between under 200m barrels and almost 7bn barrels.

As in the previous two licensing rounds the Government is offering 15 blocks in the mature area of the North Sea, by auction. The highest cash bidder will get his choice. Last time around the 15-block auction fetched almost £33m (\$45.5m). The auction is at the behest of the Treasury, which sees licensing rounds as a good way of raising money. The Brown Book, suggested that

up to 14bn barrels of oil could still be discovered in the mature North Sea areas, about as much oil again as has already been proven in UK waters.

Some blocks on offer, particularly those just off the south coast of England, are in positions of great environmental sensitivity, and there drilling restrictions will be applied. One highly promising area offshore, just a few miles from the Wytch Farm oilfield, is not being offered because of the proximity of a Ministry of Defence coastal firing range.

The consultations between the Department of Energy and the Ministry of Defence have been more arduous than is usual in licensing rounds, because of the opening up of west coast waters which are actively used by submarines and other naval traffic.

Swedish investment boards shunned

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S FINANCE Minister, Kjell-Olof Feldt, admitted yesterday that the Government had been unable to find a single representative from private industry willing to serve on boards of the controversial "wage earner funds."

Instead, he appointed members to four of the five boards - which administer investment funds financed by a tax on corporate profits - from the ranks of state-owned companies and the labour unions. The Government has not yet been able to find members for a fifth board.

"It is deeply regrettable that members of private industry did not take the opportunity to sit on these boards," said Mr Feldt.

The funds - which are being set up by the Socialist Government to expand labour influence in corporate decision-making - were pushed through the Swedish parliament late last year by a slim margin despite unanimous resistance by the non-Socialist political parties and opposition by the majority of Sweden's voters.

All three opposition parties are committed to dismantling the sys-

tem and the issue is expected to dominate the 1985 election campaign.

The funds will draw some SKr 1.4bn (\$175m) this year from 1983 corporate profits and will formally start operations later this summer by buying shares on the open market.

Under the current scheme, the funds will collect an annual SKr 2bn until 1989, by which time they will control an estimated 7 per cent of the current value of Swedish public stock.

U.S. bank shares fall

Continued from Page 1

run" - the small group of top U.S. banks' whose paper commands the finest rates.

Scepticism about the rumours centred on the belief that Manufacturers - unlike Continental Illinois - was over, rather than underfunded just now. The bank has also boosted its capital and loan loss reserves recently, and received Federal Reserve Board approval for its \$1.5bn acquisition of CIT Financial. Though this is claimed to be the largest banking transaction in U.S. history, the Fed is thought unlikely

to have approved it if it would put undue strain on the bank.

Worries spilled over into UK domestic markets already depressed by bad news including the miners strike. The big clearing banks showed large losses.

Continental Illinois, whose problems precipitated the nervousness in the world's money markets saw its shares fall to a new low of \$74, valuing the institution, which has capital of over \$2bn at just over \$300m. It closed at \$8.

EEC integration call

Continued from Page 1

speeds" or "variable geometry" that has often been whispered about. In the Benelux and West Germany, there has long been a feeling that those countries that want to expand the areas of co-operation should be free to do so.

The UK has often been unfairly accused of standing in the way, since obstacles posed by other member states have been real ones. They may multiply after Spain and Portugal join the EEC which Mitterrand hoped would be in 1986.

Much of the president's 40 minute address yesterday was devoted to

reviewing events under France's tenure of the presidency of the EEC's Council of Ministers.

In a skillfully crafted build up to his initiative, the president condemned the "policy squabbles" which had paralysed the Community in recent years, set out the progress made in solving them under French leadership and promised new agreements in the realms of social affairs, transport and the environment.

He also suggested working on a new Community agenda for the 21st century.

Beatrice raises offer for Esmark

Continued from Page 1

which include a range of meat and tomato-based products, represent a classic manoeuvre called "selling the crown jewels" to protect a bid from a last minute competitor.

Beatrice, a \$9.28bn-a-year food conglomerate whose brand products include Tropicana orange juice, Meadow Gold dairy products and La Choy oriental dishes, said when it made its original offer "our combining with Esmark presents a unique opportunity to accelerate the implementation of Beatrice's market driven strategic plan and achieve our goals much more quickly."

Mr James Dutt, Beatrice's chair-

man added "for the last year and a half we have been carrying out a strategy aimed at making Beatrice the premier worldwide marketer of food and consumer products. We have restructured and realigned our entire organisation, made significant strides in our divestiture programme and invested heavily in new marketing programmes."

Beatrice has disclosed in Securities and Exchange Commission filings that it has arranged \$2.8bn in bank credit to finance any deal. Beatrice has also made it clear it would repay the loans largely by selling unwanted Beatrice and Esmark units following any merger.

When Beatrice made its initial offer Mr Dutt said the company would embark on "an aggressive divestiture programme" selling those companies which did not fit Beatrice's strategic objective following the merger.

If Beatrice wins the battle for Esmark it would represent almost an exact copy of Esmark's successful battle for Norton Simon last year. The bid battle for Norton Simon was launched with a surprise offer from Mr David Mahoney, the company's chairman at the time, to take the company private. Subsequently KKR joined the battle only to lose out eventually to Esmark.

World Weather			
	°C	°F	
Amman	15	64	Amman
Algeria	20	73	Algeria
Algiers	12	54	Algiers
Andalus	28	78	Andalus
Antwerp	14	57	Antwerp
Barcelona	18	64	Barcelona
Bombay	28	78	Bombay
Buenos Aires	18	64	Buenos Aires
Calcutta	28	78	Calcutta
Cairo	28	78	Cairo
Cardiff	15	59	Cardiff
Chennai	28	78	Chennai
Copenhagen	15	59	Copenhagen
Dublin	15	59	Dublin
Edinburgh	15	59	Edinburgh
Geneva	15	59	Geneva
Havana	28	78	Havana
Helsinki	15	59	Helsinki
London	15	59	London
Los Angeles	28	78	Los Angeles
Madrid	28	78	Madrid
Moscow	15	59	Moscow
New York	15	59	New York
Osaka	28	78	Osaka
Paris	15	59	Paris
Rangoon	28	78	Rangoon
Rome	28	78	Rome
Singapore	28	78	Singapore
Stockholm	15	59	Stockholm
Tokyo	28	78	Tokyo
Washington	15	59	Washington
Zurich	15	59	Zurich

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FINANCIAL TIMES SURVEY

Office Property

Market conditions favour the occupier, who continues to be highly selective in terms of quality and location. Despite this, however, development is still proceeding, geared to a similar range of criteria

Intriguing phase of development

BY WILLIAM COCHRANE

THE UK office property market is in an intriguing phase. Vacant buildings are at historically high levels yet development has not moved into decline. The occupier has the whip hand and has demonstrated it in a number of ways, including a distinct unwillingness to move in 1981 and 1982.

Now it looks as if the occupier will be more inclined to make that delayed move over the next couple of years. Sound minds in the property industry, however, are hoping that tenants will continue to be extremely selective in terms of the location and quality of the premises they will take.

According to Hillier Parker, office space available in Britain almost doubled to 27.4m sq ft in the three years to January 31 last. The occupier, clearly, was voting with his feet for much of that period. Those who continued to take space in 1981 and 1982 could afford to avoid mediocre buildings and locations and the institutions which funded these buildings have now woken up to the fact that they have to invest in what the occupier wants.

Developers around the country are remarking on the new breed of big-space users—solicitors, accountants, stock brokers (again) and others of the pin-stripe ilk who are surprisingly aware of what a new and operationally efficient

building should provide. A requirement for large floor areas combined with good natural lighting has led to an epidemic of atria in new development. The large spaces have meant that the developer has had to build in flexibility of floor space use; and the development of computers as a standard office tool has combined with that in the promotion of raised floors—leaving a void to house cabling for computers and telecommunications, as well as making it easy to shift that cabling around.

Personal purse

Another characteristic of the accountant, solicitor or stockbroker is that he or she is frequently in a partnership voting situation. In the decision makers ought to be—and spending money out of his or her own personal purse. For them the recession seems to have ended. Solicitors who have been getting by on other people's bankruptcies are now back into new company formation and they have the wherewithal to make the move which might have seemed logical but risky on a personal basis two or three years ago.

Major industrial users, however, may be in a cleft stick where their headquarters offices are concerned. Many companies

are now looking at head office operations as a sort of liability, says Mr Stephen Hubbard of Richard Ellis.

Recession put demands on industrial companies to be more efficient. Many of them responded by putting the financial squeeze on operating units out of the urban office locations, in many cases delegating bright people from head office to operating level.

"All this has rebounded on the directors," says Stephen Hubbard. He notes that in 1979 British Leyland had over 4m sq ft of office space in central London. "By 1981 they had trimmed that to 35,000 sq ft and by the end of this year they will have none," he says.

Moves like this are frequently categorised as decentralisation. In truth they often have less to do with the property industry than with the life cycles of the companies concerned; back-up staff can be housed more comfortably and more cheaply elsewhere. Major landlords are now looking to the service sector of the economy to provide the tenants for central London space.

There is the feeling that the service sector will be encouraged to spend more on office property by the last Budget and its implications. A progressive reduction in corporation tax is going to leave more in corporate coffers. The phased reduction of tax allowances on capital spending may, in these circumstances, turn the corporate mind towards revenue expenditure and a move to new premises.

The great test of this theory will be in central London where the latest CLOR (Central London Office Research) report from Jones Lang Wootton examines the facts and figures behind the renewed optimism in the market.

"In our first CLOR report (December 1983)," says J.L.W., "we stated that the then scale of new development would pose a severe test of the strength of the Central London office market."

Sustained level

"Demand at that time was weak and we expected a slowdown in the rate of development starts..." As it was, in 1983 there were 96 starts promising 4.72m sq ft, compared with 79 and 3.8m sq ft in 1982. J.L.W. sums it up by saying that an historically high and sustained level of development will prevail for at least the five-year period 1981-85.

Against that they say that new office floorspace is being consumed at a faster rate than it is being produced at present. "There can be no question of a 'glut' of new developments."

The refurb/redevelopment option, says J.L.W., could represent a counter-cyclical development impetus. With this, and faster construction times, the "boom and bust" of previous decades could give way to a more orderly development profile, the firm concludes.

The next stage in the game should be the establishment of new record rent levels in the City and West End of London and in other favoured areas of the South East—although, incidentally, local property agents are expecting to see new "highs" established for rents as far north as Glasgow and Edinburgh.

Meanwhile Richard Ellis think that the funds are beginning to learn that a standard 25-year lease might not be to their best advantage. Historically, a good covenant and a long-term commitment from the tenant have left the institutions feeling comfortable.

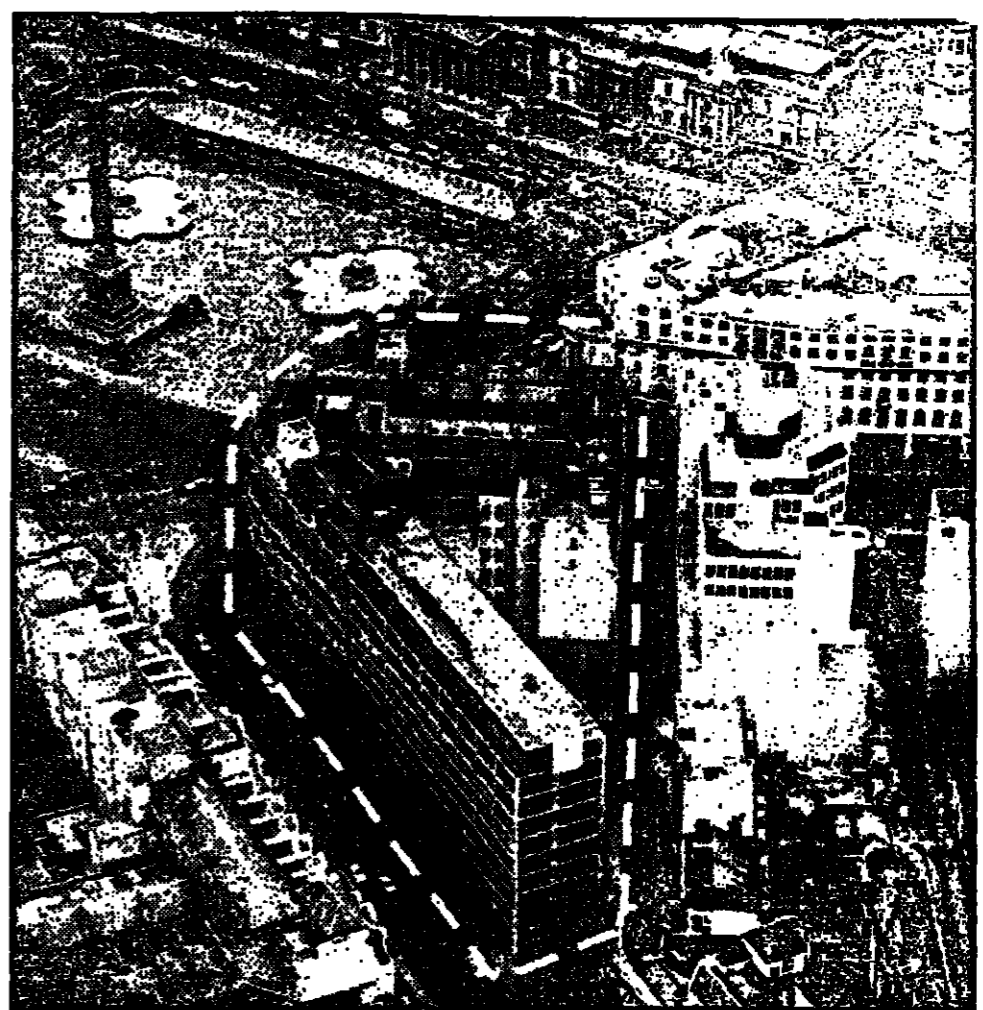
They have learned, says Stephen Hubbard, to expect a good review in the fifth year of occupation, moderate growth in the tenth and then to see a discount in prime rental values reflecting an ageing building. "Forward-looking funds," says Mr Hubbard, "are seeing that a 25-year lease locks them out of growth and that a ten-year term would allow them the opportunity to go in and improve the building, probably at far more moderate cost."

Ellis note that funds are much more likely to accept this proposition in their role as developer/investor. "If they own it, they will accept advice," says Mr Hubbard. "If they are now investors, schizophrenia sets in and they still want a 25-year lease."

Last year also tested the old "location, location and location" theory of what makes a prime property. Mr Gordon Pipe of Healey and Baker is on record (in the Investors Chronicle) with his view that "extensive" means much more than that, including fundamental considerations of quality—both in terms of design and layout, and materials and construction.

Operational quality has shifted big names to Cutlers Gardens, the once unfancied Greycoat development on the eastern fringes of the City. It has taken the American bank, First Chicago, out of the City altogether to MEP's Long Acre development near Covent Garden.

But moves like this and the bivy of merchant bankers shifting to fringe or near-fringe



Land Securities has taken the unusual step of launching an open architectural competition to find a replacement design for Grand Buildings, Trafalgar Square, as well as the adjoining Standard House on the island site

locations is about costs as well. As one American banker said: "It is no good housing hundreds of back-up staff in the City at rents of over £30 a foot."

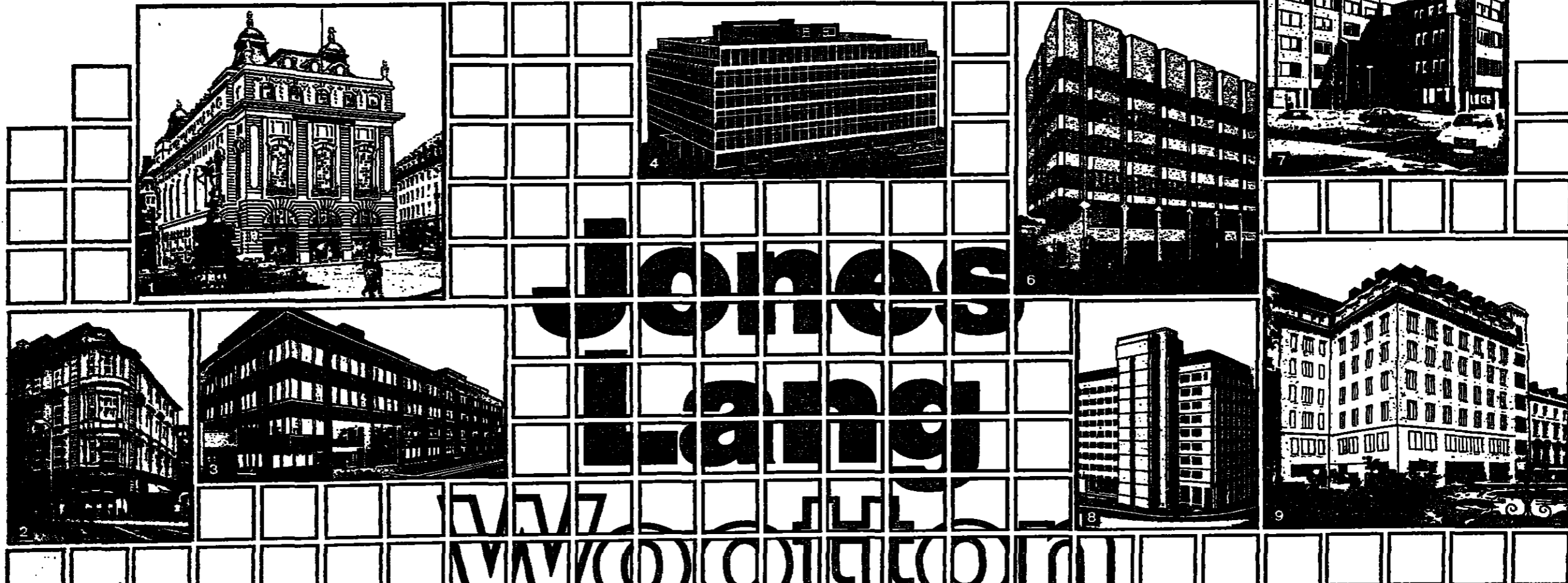
The City fringe, almost a bad joke two years ago, is clearly going to expand further, providing good space at well under that £30 a foot and a repository for all that is good, bad and sometimes plain ugly in modern architecture.

In the country as a whole, pockets of under-supply in certain areas—St. James's and Mayfair in the West End of London, some parts of the Home Counties—will continue to be flourished when talk turns to oversupply elsewhere; and once operational quality is achieved as a standard that old adage about location, location and location will probably hold sway again.

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OFFICE PROPERTY 2

Marked upturn in lettings is still awaited

IF IT is true that the office lettings market in the UK is at last beginning to recover from its recent mauling by the recession, then it is equally undeniable that the recuperation is going to be a lengthy process.

For the commercial shake-out which saw office occupiers shedding people and space at an alarming rate not only threw the forces of supply and demand well out of balance, it changed some long-standing attitudes towards office accommodation.

An upturn in demand may become increasingly evident over the next few months but the improvement will not necessarily be equally spread geographically or across the range of buildings available.

The extent of the recent weakness in the country's office markets have just been very clearly underlined in a detailed review undertaken by agents surveyors Hillier Parker, May & Rowden.

According to the survey, the volume of available office space in Britain was standing at record proportions by the end of 1983, despite the fact that the amount of accommodation let in the second half of the year was the highest recorded by the agents and the third six-monthly rise in succession.

The review, which included

only buildings over 20,000 sq ft, also showed that although the amount of floorspace coming on to the market had fallen slightly in the latter part of 1983, it was still no less than 60 per cent higher than the level taken out of the market by lettings.

In detail, Hillier Parker estimated that the end of 1983 saw just over 27m sq ft of office floorspace available for letting. During the year 7.7m sq ft were let, implying a year-end stock sufficient to satisfy prevailing demand levels for nearly four years.

By way of contrast, the agents pointed out that the volume of floorspace available for tenants at the end of 1983 stood at almost twice the level (14.7m sq ft) recorded in Britain at the start of 1981.

Floorspace

Hillier Parker also emphasised that, of the total office space becoming available over the last three years, an increasing proportion of it was accounted for by new developments. Floorspace in new schemes has, according to the agents, been growing at three times the rate of space in existing buildings and by January last stood at nearly 18m sq ft out of the 27m sq ft total.

A spate of new office property

during a period of particularly depressed demand could be attributed simply to the inbuilt time-lags in commercial development, which nearly always ensure that one side of the supply and demand equation is waiting for the other to catch up.

But although the mechanics of property development may represent part of the cause of the continuing imbalance, there is little evidence to suggest that the developers' enthusiasm for starting fresh schemes has been necessarily squashed by the weak market.

They are certainly not pressing on with new schemes in the blind belief that a tenant or owner will automatically be waiting in the wings at the end of the development programme but there has been surprisingly little reluctance to proceed with projects located in the right place and offer the standards of accommodation and levels of operating efficiency which the occupier now expects and increasingly insists upon.

Cautious

In short, the developer—like his potential customer—has become much more selective. In the broadest terms, this has meant a continuation of the active office development mar-

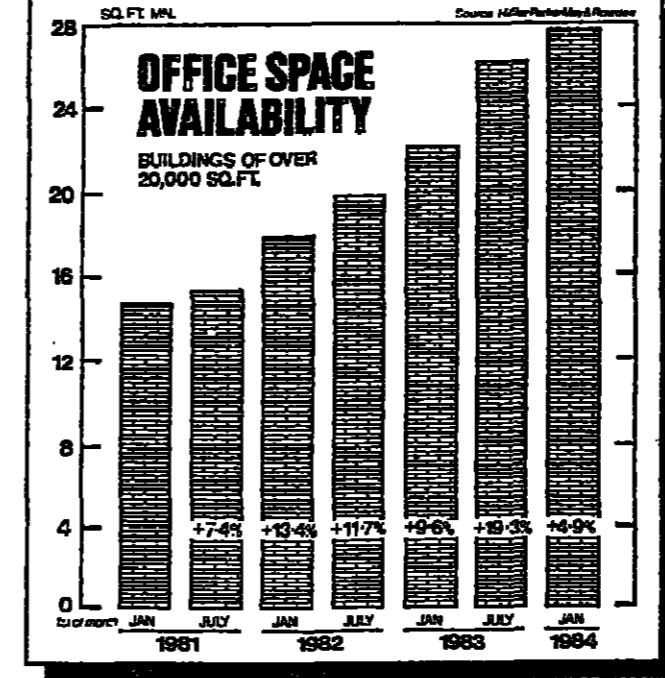
ket in London—if the opportunity arises—around the south east corner of the country and out west, along the Thames Valley.

Along the Thames, for example, Hillier Parker have estimated that over 80 per cent of the increase in office space availability during the second half of 1983 was in the form of new developments.

In most other provincial markets, however, the approach has remained much more cautious. The last spate of overbuilding is still being felt in several principal regional office markets. In most cases rents still show little inclination to move ahead but there is growing confidence that a further phase of development may not be too far away.

It is clear that some office markets will respond much more positively than others to a revival in demand. In the West End of London, for example, which in 1983 recorded an empty office inventory of over 5m sq ft, there are signs that the stock is beginning to fall quite quickly. The position is certainly repeated in the City, where a 1983 space surplus peak of around 4.5m sq ft is rapidly dropping back.

But the big question facing the office sector, irrespective of the strength and continuity of



the apparent upturn in demand, is how much of the existing stock of office property will find a taker this time around.

The recession may have cut back occupiers' space ambitions but there is every indication that it has raised expectations, in terms of efficiency and quality, of surroundings.

In an interesting indication of what might lie ahead, tenants taking space in the City have been showing themselves much more prepared to relocate location in their list of priorities and to bring standards of accommodation to the top.

The net result is likely to

be the continuing polarisation of prime and secondary quality property and in turn a widening in the investment performance gap between the two categories.

Awareness of the potential problems locked into ageing office property seems to vary substantially between owners but an increasing proportion of investment funds are now being injected into revitalising property which, until the latest market set-back, usually found occupiers without too much effort.

Michael Cassell

Rates burden affecting choice of location

THOUGH the days of rapidly escalating rate increases may be over, the Government is struggling to ensure they never return—the commercial property market is still having to live with the consequences.

For whatever the future may hold the last few years of high local authority spending, the bill for which was unconsciously dumped on the occupier, created widespread and deep distortions in the local rates burden.

At one stage it seemed the rates bill became the potential tenants' principal preoccupation, even overshadowing rent and other overheads. In reality rates were by no means the biggest single cost element but they were rising fast and, more important, the occupier had some of the powers of negotiation or consultation which applied to rents. Calls for a commercial ratepayers' franchise were understandable, though the chances for its implementation seem very remote.

Now the heat may have subsided out of the situation but the rates element in total occupation costs has become a much more significant factor in location decisions. With rates in some boroughs, particularly in inner London, still rising more than twice the rate of inflation, they are likely to remain so.

Over the last year or so the weak lettings market has in some circumstances seen a reduction in rental levels but rarely has an occupier received a lower rates bill.

A new survey conducted by Dron and Wright, the London surveyors and agents, shows that occupation costs over the last twelve months have continued to rise, with rates in some inner London boroughs

still moving ahead quite sharply.

The market is now well aware of certain London rate "black-spots," such as Camden and Southwark, where the high rates burden—combined with the unpredictability of future trends—has made properties hard to promote and even more difficult to sell.

Cheaper

The agents point out, for example, that the average rent and rates bill in Southwark, on the south bank of the Thames, has now reached £30 a sq ft—an increase of just over 10 per cent on the previous year. With average rental values standing at £11.50, rates have reached £18.50 a sq ft. Schemes like St Martin's London Bridge City development may well offer much cheaper rental alternatives than anything north of the Thames but rates are now running an average £3 a sq ft higher than in the Square Mile.

The rates burden has been regularly used by office occupiers moving out of London as a principal reason for their decision, though a closer examination of the circumstances usually shows that the relocation decision is based on a number of considerations.

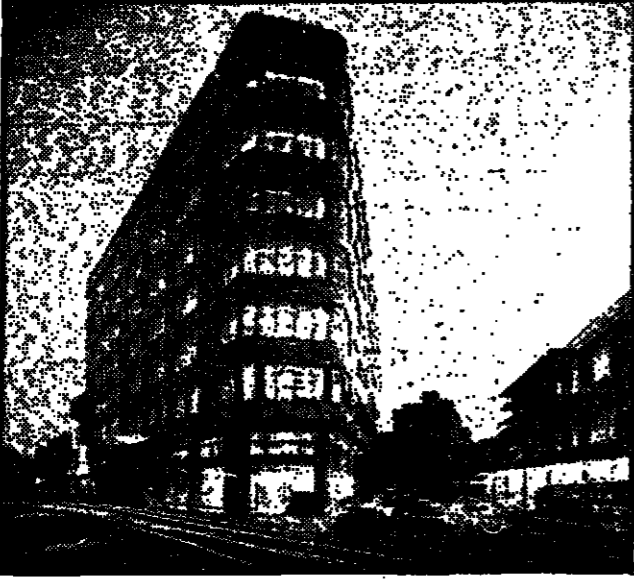
The exodus of major office users from the capital has been invariably attributed to the rates burden, although last year's report from Jones Lang Wootton said the trend had been exaggerated and that the rate of decentralisation did not appear to have increased significantly. It did show that "economy" provided the principal motive for relocation but that this included a large number of cost factors, of which rates was only one.

M. C.

INNER LONDON RENTS & RATES 1984
(£ per sq ft; twelve month earlier figures in brackets)

	Rental values	Rates payable	Total	Per cent increase since April 1983
City (Bishopsgate)	30.00 (25.00)	15.40 (13.90)	45.40 (41.90)	9.53
Holborn	17.00 (15.00)	12.70 (11.90)	29.70 (28.90)	10.41
Mayfair	20.00 (18.00)	18.80 (10.70)	38.80 (29.70)	3.70
Kensington (Knightsbridge)	18.00 (15.00)	9.00 (8.5)	27.00 (23.5)	4.82
HammerSmith	13.00 (12.00)	5.60 (5.50)	18.60 (17.50)	6.29
Tower Hamlets (City boundary)	14.50 (14.00)	13.00 (12.85)	27.50 (26.85)	2.42
Southwark (London Bridge)	11.50 (11.00)	18.50 (16.25)	30.00 (27.25)	10.89

Source: Dron and Wright



Sovereign House, Victoria

CASE STUDY: SOVEREIGN HOUSE/VICTORIA

Flagship building in Victoria

YOU NEED a very special building, not to say a very special confidence, to ask £24 a sq ft for office located in the middle of a market already littered with empty space and where top rents touch only £18.

Townsend Thoresen Properties have both when it comes to Sovereign House, the 74,000 sq ft office scheme which they have just completed behind Victoria Station.

The company calls it the "flagship" of their central London portfolio and claims the property offers accommodation of a calibre unrivalled in the capital or anywhere else in the UK.

Such claims are a common part of the commercial property market, where hope springs eternal and rents never fall, they simply "stabilise".

But even the most cynical property man would be hard-pressed not to give Sovereign House the seal of approval and to share some sort of satisfaction at the UK development industry's ability to create the type of property which remains all too rare in this country.

Sovereign House is on an awkward triangular site, once occupied by the old Kidson's department store, and is perched over a new road which will feed traffic into the Gatwick

air terminal at the station. But it can claim to offer immediate access to the transport network, it can hardly claim an address in a prime office location. The backside of the station is not the prettiest part of Victoria and the outlook onto a rather shabby Wilton Road leaves a lot to be desired.

Results

So Townsend Thoresen decided to make amends by erecting a building offering its own environment. Its endeavours have produced impressive results.

According to Mr Kean Hird, of TT Properties: "In a less than prime location, you have to put up a prime building. We had the advantage of a relatively cheap site to start with and set out to provide something very special."

The "something special" consists of eight storeys of air-conditioned floorspace, where solar efficiency, low maintenance costs and attractive surroundings have been the principal priorities.

The building, which can house up to 550 people, has

made the fullest use of available space and managed to overcome the problems associated with such an unusual site configuration in order to provide large, uncluttered floor areas.

But the focal point, on to which all the offices look, is a full-height, internal landscaped garden atrium which was the developers' pride and joy. It constitutes a revelation in the heart of Victoria. Three glass-sided lifts and a landscaped viewing gallery provide spectacular views of the gardens, which make full use of water and also play an instrumental role in heating the remainder of the building.

The space is expensive but the building provides another indication of the development industry's growing awareness that what matters will in future stand the best chance of attracting occupiers. Letting agents are Shielar Goldsmith and Pepper Angliss & Yarwood. Architects were the architects and they Haised with Stephen Stevens on the landscape design.

M. C.

Results Count

Petrolina House, York Road, SE1	95,000 sq.ft.
14 Hall Moon Street, W1	6,650 sq.ft.
Dorset House, Stamford Street, SE1	89,000 sq.ft.
10 Nottingham Place, W1	2,000 sq.ft.
Alcan House, 30 Berkeley Square, W1	40,000 sq.ft.
Britannia House, Shaftesbury Avenue, WC2	15,800 sq.ft.
3-7 and 8-9 Northumberland Street, WC2	14,500 sq.ft.
20 Oldbury Place, W1	1,570 sq.ft.
U.K. House, Oxford Street, W1	50,800 sq.ft.
7 Hanover Square, W1	24,000 sq.ft.
21 Dorset Square, NW1	15,300 sq.ft.
Wellington House, Upper St. Martins Lane, WC2	15,300 sq.ft.
Lyric House, Hammersmith, W14	25,500 sq.ft.
19 Conduit Street, W1	5,100 sq.ft.
20 Lincoln's Inn Fields, WC2	16,000 sq.ft.

Central London Office Agency
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Surveyors
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01-629 8191

All quoted areas are approximate

Institutions expected to come back

GROWING INDICATIONS of an improvement in the general health of the UK commercial property markets are now widely expected to be reflected in an increase in direct institutional investment in the property sector.

Last year the pension funds and insurance companies stepped back from further substantial investment in property, given its weak performance relative to the gilt and equity markets.

Now, however, signs of an improvement in returns and prospects for a brighter performance over the months ahead are likely to see the institutions making a significant, if selective, return to the direct investment scene.

Rowe & Pitman Property Services, the property arm of the City broking firm, clearly believes that better times are on the way. In its latest survey, Rowe & Pitman suggests that 1984 will see — as in 1982 — around £2bn of new funds put directly into property investment.

Figures recently released by the Central Statistical Office showed that the new investment by insurance companies and pension funds last year fell to £1.86bn. The total was the lowest annual figure since 1973, with the pension funds investing £500m and the insurance companies accounting for the remainder.

begin to filter through in higher rents this year and next. The prospect of real rental growth, for the first time since 1979, should help revive institutional appetites, the brokers add.

But if the volume of funds earmarked for commercial property is set to rise the way in which it is apportioned will be the subject of close scrutiny. Rowe & Pitman, for example, underlines the continuing popularity of retail property and ventures to suggest that as much as 50 per cent of all funds allocated to property this year will be directed towards this sector, a trend which will encourage purchasers to broaden their investment horizons by including "hitherto unfashionable" properties in their portfolios.

Such a trend, according to Jones Lang Wootton, was already under way last year, with funds clearly prepared to buy shops in smaller towns and hot sites than they had previously considered in order to fulfil their property requirements.

There are also suggestions that the industrial sector may again be attracting a rising level of selective investment interest, with the emphasis firmly on the "high-tech" formula, providing high-quality, flexible working space suitable for modern expanding industries.

So what of prospects for investment in office property? There is no question that substantial volumes of money will continue to find their way into the office sector, but investment attitudes are clearly changing.

The huge oversupply of office space, which has weakened even the strongest markets, has created a fresh set of expectations among tenants, forcing landlords and developers to react quickly and positively.

Occupiers have no need to accept inferior quality accommodation and have repeatedly, and increasingly, shown themselves prepared to pay a premium for the best space. The big problem now facing owners is the mounting stock of ageing property contained in portfolios, which has performed well in the past but which is beginning to represent a major liability

in terms of portfolio performance.

Early remedial action will in many cases be required. According to Jones Lang Wootton: "The longstanding investor with an ageing portfolio may have to choose between being a seller or developer-refurbisher if he is not to be left with a number of vacant properties in the portfolio. Both may be unfamiliar and unwelcome roles and are a consequence of the choice of properties available to tenants, especially in the office sector. As a consequence we see a continuation of the 1983 trend of some funds selling parcels of properties, often at a discount, to other funds or developers in order to raise money to reinvest in prime property."

Uncertainty

Jones Lang Wootton also emphasises that, given uncertainty about tenant demand, there will be a reluctance to buy large office investments unless they are well located and flexible in occupation.

The agents say the search is still on for an effective way of sharing the ownership of such large investments, although funding arrangements for one or two of London's newest large-scale office projects imply the search has started to pay off.

A syndicate of banks, led by County Bank and Chase Manhattan, provided a £47.5m recourse loan to help finance the successful Billingsgate and Market schemes in London developed by London and Edinburgh Trust and S and W Berisford, and now partially let to Samuel Montagu.

Over at Finsbury Avenue, also in the City, the Rosehaugh Grey coat office scheme attracted a medium-term funding package from a consortium of investors, while a similar deal might be put together on the redevelopment of Liverpool Street Station, involving Rosehaugh and Stanhope Securities.

Quilter Goodison, the City brokers, say the main market in larger investments and the proportionate decline in institutional spending on direct property have represented two related areas leading them to

take a cautious view of recovery prospects.

The brokers point out, however, that some tax changes included in the last Budget have gone some way to easing their fears in this direction.

Quilters point out that syndication has been suggested as a way of reducing large discounts for size in the investment market and that property companies with easily tradable stock are the natural form of syndication. Ceasing levels are moderate, management with profits is effective and the Chancellor has removed much of the tax disadvantage for institutions vis-à-vis owning property directly. The sharing of major investments, a trend which has been taken the U.S. real estate investment market by storm, seems set to become increasingly popular, though it is doubtful if the syndicated approach will prove attractive for many traditional property purchasers who are used to exclusive ownership.

But attempts at new approaches to funding are at least symptomatic of the fresh thinking which is now working its way through the investment market. The new approach also includes a growing realisation that active property management, designed to extract a better performance out of an existing portfolio, can no longer be regarded as an afterthought.

Certainly some of the new generation of property developers are not pinning their hopes simply on the creation of an equally new generation of properties but actively seeking to identify and exploit the "locked in" values in older buildings.

Their progress will be closely watched by a stock market which, despite the difficulties in the real market place, has been kind to the property sector over the past year or so. Property shares last year managed a 35 per cent rate of return overall and with prospects improving the outlook for 1984 is encouraging. Phillips & Drew say target returns for 1984 are 15-20 per cent for property shares and around 10 per cent for the direct property and property trust markets.

M. C.

CASE STUDY: CARLESS CAPEL/CANNON ST.

Profits struck in City borehole

"FIVE YEARS ago we thought that we had perhaps outgrown Hackney Wick," says Andrew Reynolds, a director of Carless Capel and Leonard. "We were into oil exploration in the UK and the U.S. and becoming an international business — from a converted office building in what used to be a dry cleaning factory."

Carless Capel is the oldest oil company in the UK. It was founded in 1859 — "the year a Colonel Drake first found oil in America," says Mr Reynolds. "Our major market initially was for smokeless fuel 'in lighthouses.' As an oil refiner, very much at the less glamorous end of the industry, the company had lived ever since its foundation in Hackney Wick on the borders of East London.

"So we bought the biggest share in the City of London," he says, talking of 70-74 Cannon Street as it was, rather than as it is today.

"We had been looking for a small freehold in the City," he says. "Charles Okin, of agents

Edward Charles & Partners, was the only one who took us seriously five years ago." Five years ago, it will be remembered, City freeholds were rarely seen on the market.

The Cannon Street property had a triple frontage, says Mr Reynolds, meaning that it was probably the product of two or three properties joined together. When Carless Capel first looked at it it was only 12 to 14 feet deep, and owned by Gabriel Securities, one of the more successful private developers.

The potential was in the area behind the existing building. It was in two pieces, Gabriel having the option to purchase one from the Church Commissioners. On that side there was a vault and a monument dedicated to victims of the Great Plague. The other piece was a hole in the ground, maybe 30 feet by 20, providing ventilation to the adjacent London underground line.

At the time the planners

would not consider an integrated development on all three sites. So Gabriel's position was negotiable. Charles Okin went for the freehold of the existing five storey building and got it for £275,000. Gabriel exercised its option and sold that to Carless for £60,000; and then the latter bought a long lease of the remaining "hole" area from London Transport for £100,000.

The construction job was a story in itself, involving deep pile supports, a 1.2 metre concrete slab at first floor level and a cantilevered extension to seven floors in height. Suffice it to say that the construction cost was £1.85m or £130 per sq ft, and the all-in cost in the order of £2m for 12,000 sq ft of building with an office content of just over 11,000 sq ft of net lettable space.

At this point comes the wry twist in the story. Until the late autumn of 1983 Carless Capel had intended to occupy the building itself. In the event the company grew faster than it expected and even the extended building was too small for its needs.

If looked at the northern fringes of the City and with-drew, sobered by the galloping rates in Islington. It looked to the east and actually bid for space in Cutlers Garden and could not get what it wanted.



Shearwater House on the Green at Richmond, totally refurbished by Speyhawk Land and Estates

Campus developments struggle for takers

"CAMPUS"-STYLE development, yet another import from the U.S., has not found the happiest of introductions to the UK property market. The concept — a site typically out of town, close to a motorway junction, low in density of development and well landscaped — has certainly attracted developers. Tenants, however, have been slower to move.

Observers have also remarked that since campus developments tend to be placed where land is easily available they can just as easily be duplicated — which may impinge on future rental and investment performance. Proponents of the genre argue that relative location will still be an important determinant of tenant quality, rents and so on; they also say that prospective tenants are certainly in the market.

"Almost every major computer company — we are aware of eight or more, all household names — is in the market to satisfy its headquarters requirements," says Mr Jeff Worboys, of Richard Ellis. "They are all looking at the M25 belt." But because of limited site opportunities on London's orbital motorway, says Mr Worboys, demand is being pushed along the M3, the M4 and the M1.

The concept is being resisted fiercely by local authorities in the dormitory areas around the

M25, many of which are saying that their infrastructure is being used to capacity. Appeals, according to Ellis, are being fought left, right and centre.

In the meantime the occupier can get exactly what he wants at, say, Milton Keynes, Telford or Swindon. But it is difficult to build speculatively for this occupier as a type.

Swindon has seen Readers Digest emerge and then disappear again as potential occupier for the 78-acre Windmill Hill site which has been held by St Martins Property for more than three years. Chase Manhattan looked at the 30-acre Croft campus site near the town and eventually pumped for Bournemouth instead.

They maintain that to attract a tenant — preferably a major one, to "anchor" the development — the site should be ready to receive buildings with basic infrastructure like roads, sewers and landscaping already in situ.

It is also maintained that of the three Swindon sites in contention here Delta is closest to the town centre and to a major shopping centre, with the added advantage of being on a dual carriageway. In other words, relative location does matter.

Mr Doug Smith of Swindon Enterprise thinks that the campus concept needs to be more clearly defined. "It should have a maximum of 50 per cent site coverage, with particularly generous car parking space belonging to the site renter — not common space." The minimum car parking allotment, he reckons, should be one space for each two employees.

He says that a true campus site like Croft will have only 10 to 20 per cent site coverage and that, by this definition, the M25 will have very few true campus sites available. "Rates and land values are too high," he says, forecasting a great deal of M25 demand for warehousing and to a certain extent conventional office blocks.

William Cochrane

'Murphy's Law' a tease for developers

"ANALYSIS of the geographical pattern of potential development shows that in areas which have hitherto proved unattractive for office occupation supply is excessive, whereas in many areas which have been popular locations supply is at present limited."

James Lang Wootton, in this instance analysing 292 planning permissions comprising nearly 15m sq ft gross of potential office development in Greater London outside the central area, seem to have found their own version of Murphy's Law. Attractive space is already built on so developers have to look elsewhere and take the risks involved.

The major feature of the property market over the past six months has been the uptake of property — built or in the construction phase — in the City of London. Richard Ellis, for one, think that this pattern is spreading to London's West End, with further attention being focused on the city's orbital motorway, the M25.

So what is going to happen to the wide belt of territory between the central area and the motorway ring? J.L.W. note a highly concentrated pattern of development during 1981-83 in outer South and outer West London, with nearly 70 per cent of completed floorspace in that period — not to mention some 77 per cent of that currently under construction.

These days, building one office tower in a blighted location — Archway Underground station, in North London, will do for an example — is not seen as a solution. To the south and west revitalisation is seen as taking place with more comprehensive developments at Brentford and Isleworth.

At Brentford — seen by one property professional as "the West London location which never made it" — Dimsdale Developments (South East) is into the third phase of its joint £20m scheme on 30 acres of previously largely derelict land between Brentford High Street

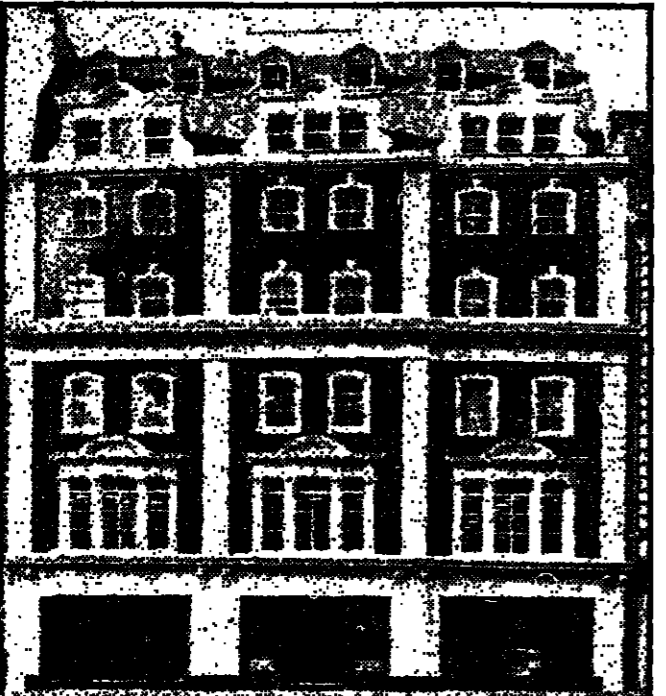
Inquiry

The planning process has not been all sweetness and light. Dimsdale was selected by the London Borough of Hounslow for phase one of the development and won phase two (including the arts centre) at competitive tender. But it only won phase three planning consent after a public enquiry, intervention by the Environment Secretary and the award of costs against the council.

At Old Isleworth, with council approval, Speyhawk is aiming to create a whole new environment, including the rearrangement of pedestrian and vehicle routes, the provision of open spaces and landscaped areas, including a river walk, and the reopening of the Old Church Ferry.

A revised context plan approved by the local council last October includes provision for 110,000 sq ft of offices, 80 homes (houses and flats), shops and wine bars, other leisure buildings and workshops.

Mr Trevor Osborne, who controls Speyhawk, has his headquarters in Isleworth and wants to maintain a village atmosphere there while at the same time, it is hoped, the development lifts the quality of the area. The company points out that it was the decline of river-based industries which helped depress Isleworth but it sees the river itself as a distinct environmental advantage.



Carless House at 70-74 Cannon Street offering around 12,150 sq ft in a location only 200 yds from the Bank of England. Agents Edward Charles and Partners are seeking a rental of £240,000 per annum for the redeveloped property

Unit trusts 'over the worst'

IT IS a measure of the property unit trust industry's recent despair that when units in one of the largest trusts start being traded on a heavily discounted secondary market everyone breathes a sigh of relief. It seems that any alarm provoked by the sight of unhappy investors selling out on poor terms is more than offset by the relief in knowing that someone else at least is prepared to buy them.

The property unit trust sector as a whole has been going through hard times and Pension Fund Property Unit Trust (PFPUT) — in which the most recent secondary market has emerged — has been having a rougher time than most.

Property unit trusts are open only to investing pension funds and charities and take a direct stake in the property market via the acquisition and management of their own portfolios. For the private investor property bonds represents the most obvious choice, though neither have been having happy times. The reasons for the unit

trust sector's poor state of health have been straightforward enough. Returns from property investment, in the absence of any significant rental or capital growth, have mostly been miserable.

The recent property index compiled by Jones Lang Wootton — which charts the overall (capital and income) growth of commercial property — recorded an increase of just over 7 per cent for 1983. Modest rental increases provided most of the growth, with few types of property registering any improvement in capital values over the period.

Buyers

The unit trusts, along with other property investment vehicles, have suffered the consequences. Little new money has been coming in and existing investors have been tempted to redeem at least a part of their holdings as quickly as possible.

Unit trust managers hardly welcome the prospect of this

type of sale on any scale and offer a poor price or decide to prolong payment — or adopt both tactics. Hence the unofficial secondary market, where sellers and buyers strike a quick deal between themselves, leaving the unit trust itself out in the cold.

As for PFPUT, the second largest property trust with a fund value of £240m, the problems it shares with its competitors have been compounded by criticism of its own performance. More recently, however, its track record has been improving.

Around £10m of PFPUT units changed hands earlier this year and the Rolls Royce pension fund was among the sellers. Given a bid price of around £2,080 (against a current offer price of £2,285), Rolls-Royce could have expected to raise nearly £3.07m for its units. But it is thought to have accepted less than £2m.

The weak price achieved stems from the huge bid/offer spread maintained by PFPUT to discourage withdrawals and which firmly underlines the redemption pressures which the unit trust has been under. In the case of Rolls-Royce PFPUT is thought to have been closely involved with the "unofficial" transaction, by virtue of its size.

But most property unit trusts, now accounting for around 2½ per cent of all pension fund assets, believe the worst is over. Lazard Property Unit Trust, third in the rankings behind Fleming and PIPUT, has a fund value of £188m. Mr Peter Archer, the fund's surveyor, says he feels "much more com-

fortable than a year ago."

"For 18 months we have been talking only about withdrawals and I think a successful secondary market is a sign of improvement in sentiment. But I expect it will absorb the appetite for units for some time to come."

Lazard says some investors have wanted to redeem large numbers of units and they have been placed every time. At present it has no second-hand units for sale. As for new investment, however, the fund only managed to raise £260,000 from its last issue at Christmas, in stark contrast to the £6m raised in a single issue back in 1981.

Pensions

Mr Chris Whitaker, a partner in Fielding, Newson-Smith, also believes that the property unit trust sector is over the worst: "Some pension funds stopped buying altogether, although they held on to most of what they already had."

"Returns have been poor but the performance of most unit trusts has not been out of line with what has been happening in the direct market. In many cases the funds have seen virtually no growth at all but the prospects for 1983 begin to look more positive."

"There are not many second-hand units around and pension funds are beginning to buy property again, given the chance of reasonable growth for the first time in over two years. Any demand, however, is likely to be satisfied in the secondary market and it will be some time before any net new money finds its way to the fund managers."

	UNIT TRUST PERFORMANCE		Unit price change per cent last 12 months
	Latest fund value £m	Estimated yield per cent	
Abbotstone	28.54	3.0	+ 4.6
Ag Put	3.62	2.7	+ 1.3
Charities	8.68	5.4	+ 3.0
Fleming	290.0	5.5	+ 0.1
Hanover	90.70	7.0	- 2.5
Hill Samuel Agric.	35.00	3.5	+ 4.9
Hill Samuel	123.70	6.8	+ 3.1
Industrial and Commercial	70.60	5.4	+ 1.6
Kleinwort Farmland	17.50	2.8	+15.6
LAMIT	128.25	6.1	+ 1.6
Lazard	183.39	6.0	+ 2.5
Legal & General	6.00	4.5	+ 6.8
New Court	73.00	4.5	+ 0.6
Peazine	11.16	6.0	no change
PFPUT	239.10	6.2	+ 6.3
Pensions & Charities	23.77	6.0	- 2.3
PUTFAC	25.40	6.0	+ 5.6
Schroder	130.40	6.1	+ 2.1

Source: Fielding, Newson-Smith

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Centre Point continues to stir emotions

WHEN ASKED by Thames Television to vote for the best and worst modern buildings in their city, Londoners made some interesting selections. Out of a list of 50, the three most loved and the three most hated included only one building which could possibly be described as an office block: Hillingdon Civic Centre, which, with its complicated elevations in brick with pitched tiled roofs, looks more like a row of suburban houses squashed together.

The three buildings voted "worst" were all on council estates, dating from various stages of the Orb craze which swept British post-war architecture. The favourites, alongside Hillingdon were the airy at London Zoo and Waterloo Bridge. If the results mean anything at all, they probably mean that Londoners as a whole are less deeply concerned about office design than they are about the places they live or play in.

The Financial Times' own building, Bracken House, Cannon Street, was exactly halfway down the list at 24, with the Economist building in St James's Street doing marginally worse at 24.

Only in the case of Centre Point did emotion get the better of aesthetics: by no design yardstick would the building be among the five worst in London—but its notoriety put it there anyway.

Centre Point has, to many, become, synonymous with speculative development, a phenomenon of the property boom of the 1960s and early 1970s. Apart from its unpopularity with the general public, spec building had serious drawbacks. It suffered from what London architect Brian Waters calls the "let and forget" syndrome.

The investor and/or developer had the whip hand, demand outstripped supply, rents were rocketing and the tenant could be safely ignored. The capital cost of the building was all-important: cost-in-use was not the developer's problem and largely ignored.

The result of this "let and forget" approach has been a large number of office buildings which are inflexible, expensive to maintain and heat, and in many areas the commercial equivalent of the "difficult to let" council estates built in the same period.

Some 18 months ago the Orbit Study was published. It looked at the future of such buildings and reached conclusions not

only about them but about how today's buildings should be designed so as to avoid premature obsolescence.

Bernard Williams, who was building economics consultant to the Orbit project, maintains that in spite of the widespread publicity given to it not enough is being done. And he agrees with Brian Waters that it is in the speculative sector where progress has been most disappointing. In spec development, he says, "the only major sop to Orbit is the shallow false floor, an economic way of getting the net-to-gross floor area ratios prevail. The spec developer remains loath to give up even 1 per cent of his floor area to the extra service duct space, needed—according to Orbit—to accommodate the proliferation of rising cables required only by the leading-edge office user today—but by Mr Average tomorrow."

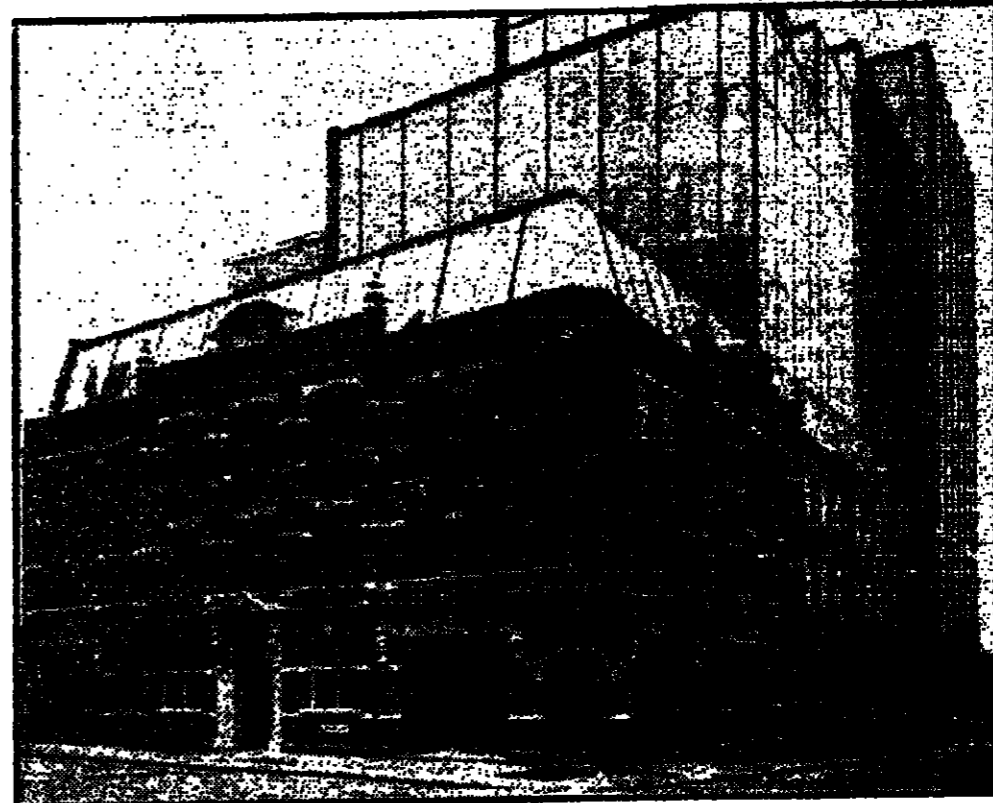
There are honourable exceptions: Arup Associates' Finsbury Avenue development for the speculative sector is marketed on the strength of its Information Technology capacity. But all too often, says Williams, the conservatism of the property value, and the obsession with net-to-gross floor area ratios prevail. "The spec developer remains loath to give up even 1 per cent of his floor area to the extra service duct space, needed—according to Orbit—to accommodate the proliferation of rising cables required only by the leading-edge office user today—but by Mr Average tomorrow."

Argue

The designer who wants to keep the wolf from the door can argue so far before giving in and giving the developer what he wants. But both Williams and Waters agree that the light at the end of this particular tunnel is definitely the emergence of the owner-occupier as the dominant client of the future.

"Owner occupiers are easier to convince to take the IT argument on board," says Bernard Williams. "They are more project-oriented, enabling design of building and services to be tailored to suit." Brian Waters predicts a better use of resources by architects "which will reflect concern about energy costs, adaptability of use and fitting out, as well as image and style which will have to go further than marble in the front lobby."

As for the spec market, based on his experience across the Atlantic, Brian Waters hopes the UK property industry will



Embassy House in Birmingham—a combination of a traditional facade and silver reflective glass cladding by Espley Tyss and Elenzota

REFURBISHMENT CASE STUDIES

Staying put suits Unilever

be able to overcome present resistance and start building no more than a shell and show floor. The tenant would then have the option of completing the interior design to his own specifications or choosing from a range of fitting-out packages offered by the developer.

This would prevent absurdities like millions of pounds spent by incoming tenants taking up brand new blocks and ripping out all the developer's furnishings and fittings because their taste in wall coverings is slightly different.

Beyond aesthetics, Brian Waters looks to modern furniture services incorporating lighting and environmental controls to provide the adaptability lacking in most post-war developments. He describes flat cabling laid under carpet tiles as "a godsend to office refurbishment."

Bernard Williams is less optimistic. He would like a sharper response to the "creeping cable" syndrome which accompanies the telecom revolution; more thoughtful lighting systems to avoid glare problems when VDUs are in use; and more awareness by designers of the heat expected to be generated by tomorrow's IT office, which could be twice that generated today.

But he fears it will take more than good advice and some warnings to change the inbuilt conservatism of the construction industry and the estates industry which largely directs it.

Mira Bar-Hillel

AMONG THE clutch of companies which have moved or have contemplated leaving London for less crowded and expensive areas, Unilever stands out as one which thought long and hard before deciding to stay. It meant a commitment to spending £37m on renovating its imposing landmark premises at Blackfriars, plus many years of disruption while it was done.

Bert Sugarman, the company's property controller, says that Unilever did not decide on principle against relocation: each arm of the business was judged separately, resulting in operations like Vandenberg, Bird's Eye and Lever Brothers moving out of central London. Some 6,000 staff were moved out over 20 years. Space to expand, better quality of life and cost all played some part.

The Headquarters operation brought together several factors, such as the wish of some executives and marketing men to retain face-to-face contacts in London and the problem of recruiting new staff if existing workers refused to go. On the other hand, the 50-year-old Blackfriars building was inefficient (almost half the 150,000 sq ft was taken up by facilities such as corridors and toilets) and the services were obsolete.

The solution was a compromise. Over the years, staff had overgrown into two buildings next to Unilever House, and these were demolished to build a 112.5m wing providing 70,000 sq ft of open-plan space. Staff could be relocated to this wing during renovation and it could be used later to accommodate 600 staff from three other neighbouring blocks in the complex after Unilever House was finished.

The vacated blocks, providing some 135,000 sq ft of floor area, would then cross-subsidise the whole operation through sale or letting. Unilever was asking £28m for its interests, or rent of £1.75m a year. It is understood that the contracts on these blocks are about to be exchanged, although at a lower price than intended because of the weaker market.

Overall, however, Unilever must be reasonably satisfied with the operation. It has reduced the overall gross space to 280,000 sq ft, raised the usable area in Unilever House to between 60 and 70 per cent, and still provided enough air-conditioned modern accommodation for 1,500 staff.

Corrib House, which also came on the market only this month, has one advantage which could make up for many deficiencies—an E2C address in the heart of the City's banking area. For several reasons, including a fire early on in the contract and the need to restore a suite of listed rooms as well as exterior facades, the cost of refurbishing the 30,000 sq ft building was higher (at about £100 per sq ft) than that of Sovereign House (£80-850 sq ft). (See Page 3.)

Beyond the limitations of the listing requirements, however, it was the developer's sin (Always Pension Scheme with the Worshipful Company of Grocers) that the interiors be modern throughout—and that as much as possible the areas which form part of the refurbished building would be continued in the new areas without a visual break.

Restore

Raised floors, carpet tiles, suspended ceilings and anti-sun double glazing designed by the Rolfe Judd Group, are the order of the day.

Again, thought has been given to cost-use, and the figure of below £150 per sq ft—a considerable saving in costs on buildings of a similar nature—according to the letting agents—should go some way towards softening the effect of the asking rental which is just over £34 per sq ft overall, or a cool £1.025m for the entire building.

M. B.H.

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BRITAIN'S BEST LOCATED DEVELOPMENT AREA

High-profile campaigns lift drab marketing

IF YOU STILL don't know what has more allure than Cannon Street, more grace than Gracechurch Street, is more amusing than Queen Victoria Street and more funny than Finsbury Circus—then someone at the St Martin's Property Corporation is wasting a great deal of money.

But the chances are that if you are in the market for City offices, the persuasive campaign to interest you in St Martin's most ambitious development to date, London Bridge City, has not missed you entirely.

The company has introduced a new dimension into the marketing of commercial property. Its efforts will gladden the hearts of every public relations and advertising person, because the new dimension is money, lots of it, and the creativity and imagination it can buy. All three have been badly lacking in the past in property marketing.

When one looks at property in terms of the value of the total market, the amount of money it spends on advertising and promotion must be among the lowest in proportion to turnover. David Stewart-Hunter, of Saatchi and Saatchi, has described the sums as "amazingly low, and the more astonishing in the light of the difficult market conditions within which you are all operating."

Bleak

A glance at the advertisement pages in the main property publications gives an immediate impression of what that little money buys: bleak, repetitive, unattractive presentations in which the names of the agents often feature more prominently than the advantages of the property they have to offer.

The London Bridge City campaign is all the more remarkable when one considers that the site where it is to be built is not even cleared yet, and the first buildings will not be ready for occupation before 1988. Indeed, to start such a high-profile campaign as early as the planning approval stage is probably as unprecedented as the marketing budget.

The company responsible for St Martin's marketing suite, complete with lift-up models and room/view simulations in Office-cape, which currently holds design contracts for over 1m sq ft of office space in London,

Its American-born marketing director, Harrison Ripp, believes that in order to be really effective, the marketing budget of a prime new property should be £1 to £150 per sq ft available to let.

The Office-cape approach is to have a same group of people working on the building's "identity" and its marketing. "This approach can be purposefully 'over the top' to stimulate the imagination. We can get involved in everything from the structure of the columns to the colour of the vase on the reception desk," says Ripp.

A similar "total approach" has recently been adopted by Townsend Rossman Development, the property arm of European Ferris. The main difference is that TTP have not yet gone in for promoting buildings still at the planning stage. St Martin's campaign is aimed broadly, with a distinct element of making people dissatisfied with their existing premises and so interest them in a medium-term change.

TTP is more conventional, concentrating the marketing effort on the much later stage, when prospective clients, already assured by their agent that a certain building may be suitable, approach the decision-making stage.

Where TTP scores, however, is the total involvement of the directors in the marketing. TTP development director Kean Bird is 30 years old, his marketing director Martyn Robertson is 27.

Assume, says Martyn Robertson, that you are on a short list of 10 buildings decided on by the client's agent, all of which basically suit the company's needs. Assume that the company chairman is a busy man and that, although you may believe that he should spend much more time on such a significant long-term step, he will allocate no more than a day—or even half a day—to viewing the short-listed properties. You may have no more than half an hour to convince him that it is your building he must take.

Each TTP building currently available has a show suite with offices and furniture in situ in a suggested layout. One building actually has a fascinating variation on music made up of voices, presumably engaged in typical office banter, to help

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75 Davies
237 Roger
20 New B
Liberty Ho
21 Grafton
2 Swallow
13-14 Cork

OFFICE PROPERTY 5

Rents trend is best guide

YEAR-ON-YEAR rental growth probably receives more attention than it deserves, considering that the life of the average office building or investment can be counted in decades.

Short-term movement may be relevant to the developer or agent seeking to write the highest initial rent from a tenant for a new building, but long-term trends are more important in planning investments.

Short-term figures can also mislead. Northampton, for instance, tops the league for rental growth in 1982-83 in 50 centres outside central London monitored by surveyors Jones Lang Wootton. Yet it shows up nowhere in the 22 centres which achieved more than the mean growth of 14 per cent a year from 1982 to 1983. Maidenhead, on the other hand, showing the second highest average annual growth for 1982-83 at 19.1 per cent (Table 2) is completely out of

RENT GROWTH COMPARISONS					
● Towns showing more than the mean 5 per cent growth for 1982-83			● Towns showing more than the mean 14 per cent growth, 1982-83		
Town	Rent at Sept '83 in £ per sq ft	Growth 1982-83 %	Town	Rent at Sept '83 in £ per sq ft	Growth 1982-83 %
Northampton	5.50	12.7	Crawley	9.75	19.7
Redhill and Reigate	10.50	16.1	Maidenhead	12.00	19.1
Nottingham	5.00	12.7	Slough	12.90	18.4
Cardiff	7.00	11.4	High Wycombe	11.25	17.4
Crawley	9.75	15.7	Bracknell	12.25	17.4
Flymouth	4.50	13.4	Reading	11.50	16.9
Newcastle	4.75	11.6	Hammersmith	12.50	16.7
Bracknell	12.25	17.4	Swindon	8.25	16.4
Luton	6.25	13.7	Redhill and Reigate	10.50	16.1
Southampton	5.25	10.3	Staines	12.50	16.0
Swindon	8.25	16.4	Bromley	10.00	15.4
Liverpool	5.50	11.0	Harrow	11.50	15.4
Oxford	7.25	14.9	Kingston-on-Thames	10.00	15.4
Hammersmith	13.50	14.7	St Albans	9.50	15.3
Milton Keynes	7.75	12.7	Sutton	8.50	15.2
Stratford	10.00	15.4	St Albans	9.50	15.2
St Albans	5.00	15.3	Oxford	7.25	14.9
Peterborough	5.25	13.6	Guildford	10.75	14.8
			Richmond-on-Thames	11.00	14.8
			Watford	10.50	14.6
			Hemel Hempstead	12.00	14.0
			Brighton	7.25	14.0

the short-term stakes. Rents there actually fell by 4 per cent last year. Percentage rises can seem impressive when they start from a low base. A few pence per sq ft added to average rents like those in Newcastle can bring it high into the league for last year's increases, when growth clearly continued at its normal, below-average rate. The long-term figures are more useful for illustrating how growth trends differ. All 22 of the centres which exceeded the 14 per cent average rent growth for J.L.W.'s 50 centres were in the Western Corridor, running broadly from London, along the M4 and Thames Valley, or near Gatwick Airport. This pattern may have looked slightly different if another base year was chosen, but it would still have reflected the growth caused by relatively consistent demand for office space in these favoured centres. Within the limitations stated, the 1983 figures give more insight into the way this strong growth has weakened in places like Maidenhead, Slough, Reading and Kingston, while Redhill, Crawley and Bracknell have cruised ahead. Even Liverpool, Nottingham and Plymouth can claim temporary superiority in relative growth.

David Lawson

Reasons for making the move vary, as David Lawson reports

Relocation moves dwindle

NOT LONG ago London appeared doomed as a business centre. Almost every week another household name made ready to flee the capital, blaming high rents, exorbitant rates, crumbling buildings, parking meters or British Rail suburban services. The great beyond beckoned, with fresh air, green airports within easy reach.

It did not take long for this tidal wave of decentralisation talk to subside. Companies were certainly seeking moves, but at a greater rate than in the past; and the reasons for moving often proved far more complex than a simple rent-rates protest.

The apparent surge of interest in relocation was partly a function of a slack property market. There was relatively little activity in lettings and development because of the recession, so the existing undercurrent of companies seeking space away from London became exposed to the public eye as the one positive trend. Companies like Esso took the opportunity which a slack market provided about local authority rate levels. It was easy to blame "profligate" local authorities for impending moves from London and to play down other factors.

Many agents, starved of other business, helped the publicity by concentrating on this seemingly hyper-active sector: almost overnight, provincial office departments became decentralised offices.

With the growing awareness of inner city problems, strident local authority antagonism to office activities and some stomach-churning lurches towards unfocused structural change, it would have been surprising if relocation had not become big news.

In the cold light of long-term statistics, however, it is plain that movement out of London has not surged. Geoff Marsh has noted that:

Honor Chapman, at surveyors Jones Lang Wootton, showed that the rate of decentralisation has fallen since the peaks of the 1960s and 1970s.

Average

Figures from the defunct Location of Offices Bureau revealed that an average of 6,800 jobs a year left the capital between 1964 and 1973 in 361 moves by companies employing more than 100. J.L.W. researches found that from 1979 to 1982, the annual average fell to 3,250 in 182 moves.

The slowdown is partly explained by the complex reasons why various companies look for different premises. The initial surge in insurance companies seeking to expand. They moved routine operations out, leaving higher order functions like headquarter operations which are less likely to press for relocation.

In the 1970s there was also a push out of London because of a lack of large buildings at a reasonable cost in suitable locations. This is now less of a problem.

The drive for economy and integration of space—which has always been the main factor in relocation—became an even stronger influence from the late 1970s when manufacturing companies became the main candidates for movement out of London, say the J.L.W. researchers.

Property costs play a larger part in the outgoings of this sector, and many have seen rationalisation as a way of easing pressure on profits. International Harvester and Eynon Ready have sought to move office headquarters out of their manufacturing centres.

Paul Sherman, of surveyors St Quinton, found that out of 22 companies of all sizes that had relocated from London last year, only eight were going lock, stock and barrel. Others were cutting staff or keeping a London office, and twice as much space was being released in London by these companies through rationalisation than through relocation. Staff, in fact, play a key role in relocation decisions. Some moves are certainly aimed at shaking out ageing or top-heavy

buildings which they cannot let, due to a combination of recession and potential tenants' preference for new space. This may be yet another reason why relocation has slowed.

Staff

ICI has also siphoned off staff to regional centres—much as other manufacturers have done. Its 300,000 sq ft Millbank complex, however, will be less marketable than CU's building.

A move to Victoria is understood to be under consideration—illustrating that not all the relocators quit central London. This is another fact often lost in the hysteria about "London's leavers."

Much relocation has, in fact, been within the capital and is a natural part of companies' growth and evolution. One reason why many of the fears about great volumes of empty office space being left by fleeing companies are exaggerated is that much of the space will be taken by others.

If the property is unsuitable for letting, the tenant will usually remain rather than pay two lots of rent. A real problem comes from the large number of 21-year and 14-year leases created in the property boom of the 1960s and 1970s. Once these have ended, tenants are free to go, and landlords face mammoth tasks of up-rating.

Yet some institutional owners are beginning to welcome the chance to uprate blocks to new standards and switch to multi-tenanted, short-leased property in the modern style.

So far the space released has not been a problem. The 2.3m sq ft vacated in 83 moves recorded by Jones Lang Wootton seems enormous, but it represented only one-third of 1 per cent per year of London's office stock between 1979 and 1982.

That stock has increased by 40m sq ft since 1961 and will continue to do so, even though London's office population is declining by 1 per cent a year because of steady movement out. Instead of empty offices, however, standards have increased, giving the average worker some three times the amount of floor space he had 25 years ago.

This is a way of matching the improved environment offered to staff outside London and is also necessary to accommodate much new technology. Relocation will also continue, although the reasons will vary in importance. Geoff March of J.L.W. figures that the manufacturers have now mainly completed their reorganisation, while restored profits have reduced the pressure in any event.

"If any upsurge is coming, it is likely to be from groups like Chase Manhattan and Bank of America. These have reached a stage of maturity where you would expect them to have substantial offices outside London," he said.

Agents are optimistic that rents will rise again

Office market remains dull

THE MARKET in offices could only go up in 1983. By then, it had reached historically low levels of activity over most of the country. As the economy improved, so did inquiries, but far too slowly at first to have much impact on rents when there was such an overhang of space.

By last January enough lettings were under way to allow hopes of rising — if patchy — rent values. An expected London, its more prosperous fringes and some Western Corridor centres were the first to benefit.

Here, relocation does not mean moving out of London but expansion within the region—such as Bayer going from Richmond to Newbury and Sterling Winthrop to Guildford.

Mr Fer Dijkstra, of Knight Frank and Rutley, has taken a dim view in the past of the excess of supply over demand in the Western Corridor, with 2.5m sq ft completed last year and only 1.6m sq ft taken up. But he sees internal expansion as an optimistic sign of revived demand and a more balanced market.

Shortage

There could even be a shortage soon in places like Richmond, Maidenhead and Bracknell, he says.

Steve Webster, of Debenham Tewson and Chinnocks, is willing to brave sneers about talking up the market, so convinced is he that rents will resume their upward trend in the Thames Valley. He has seen a lot of take-up in the middle-sized range of buildings and

could reel off names of 42 companies in the market for premises of between 15-30,000 sq ft. Demand exceeding supply could put 15 per cent on some rent levels.

In what is still a fairly dull market in the rest of the country, the only major highlight is the impending completion of the M23. Dijkstra sees this as a little threat, however, to the buoyant Thames Valley area, with its self-sustaining expansion built on electronics and financial concerns.

But the relocation market which has fed places like Bracknell and Swindon might be restrained by increased accessibility of towns closer to London.

Webster sees a spreading of values around London, benefiting places like Hemel Hempstead which have been relatively overlooked.

Provincial centres have also seen a modest upturn in fortunes, but this has tended to be patchy, depending on local demand.

Birmingham has up to 300,000 sq ft of city centre space available—between 18 months and several years' take-up, according to how optimistic you are. Rents have hovered around £6.50 a sq ft, but new schemes are calculated at £8 following the boost from Urban Development Grant cash to such schemes as Henry Wood's Paradise Circus. Manchester has seen more lettings but in smaller units, cutting total take-up by more than a third to around 100,000 sq ft. Rents could shift upwards to £7 a sq ft in 1984, however, with even a modest

rise in demand. Bristol brings out contrasting views. Some agents fear the 700,000 sq ft under construction adding to existing empty space, plus consents for 1.2m sq ft; others point to a 75 per cent increase in lettings last year and rents hardening to £7 a sq ft. But there seems to be too many lettings which almost took place.

Swindon could face a serious over-supply, with a lot of space coming out of the ground and an hiatus in letting levels. But the continuing growth of rents has still not eaten away the town's economic advantages.

Newcastle is another centre with a heavy supply of central space, but it is in a less advantageous position to exploit big inquiries which tend to float within the south of England. Rents are between £4 and £4.50 a sq ft.

Liverpool is often written off too easily. Developers like British Laud (65,000 sq ft on Dale Street) and Royal Life (70,000 sq ft on the Cavern Club) are not convinced, perhaps noticing that rents—such as at a low £5.50 base—continue to creep upwards.

Milton Keynes, which appears to be the antithesis of Merseyside, with its high-tech activities, probably has less space on the stocks, but this is due more to large lettings like the Stone

and Webster 140,000 sq ft taking up than any lack of development interest. Shortages are expected until 1985, so rents could start to accelerate again beyond £7.75.

Leeds has seen a remarkably active year, with lettings of 200,000 sq ft, double those of 1982. Little new space is under way because of the previous levelling of rents and the 500,000 sq ft or so of space on the city centre market. Much of this is on fringe or secondary sites, but there are few prime sites left for development. Rents now at £5.50 may creep to £6 for the best space.

Cardiff central development sites have tended to remain dormant despite the capture of Chemical Bank a couple of years ago, while developers either seek pre-lets or wait for existing space to fill up. Asking rents are around £5.75 a sq ft.

Aberdeen rents are stuck at around £8 a sq ft, while the market waits for potential time-limited pre-lets or wait for existing space to fill up. Asking rents are around £5.75 a sq ft.

Glasgow has one of the most balanced markets in the UK and new schemes are being costed on the basis of rents at £7 a sq ft.

D. L.

Concentration in the South-East

THE SOUTH-EAST of England has dominated the office-based economy of Britain for more than half a century and continues to raise the bar in terms of development. Paul Sherman, of surveyors St Quinton, demonstrates how the region is becoming even more important.

The area outside Greater London raised its share of Britain's office space by 2.5 percentage points to more than 17 per cent between 1974 and 1982, which seems a meagre figure until he illustrates this as equivalent to 223 buildings of 100,000 sq ft.

Perhaps the most significant statistic Sherman quotes is that almost 27 per cent of new office space in England was built in this period in the outer south-east, a trend that would take it past central London in terms of office stock if it continued for a decade.

The first reason for this growth which springs to mind is decentralisation from London, although Sherman would question the term "decentralisation" when most moves are between only 50 and 100 miles of the capital. Certainly the Location of Offices Bureau figures and statistics from Jones Lang Wootton researchers appear to back this up, the former showing that the South-East provided 76 per cent of destinations between 1964 and 1978 and the latter some 85 per cent in 1979-82.

Sherman believes, however, there has been an over-concentration on decentralisation as a source of office growth. A comparison of the location of headquarters of industrial and financial business in 1968-69 with 1982-83 shows that changes did not occur at the expense of London or of the provinces. The South-East gained 40

industrial headquarters in that time, with losses increasing proportionately to the distance from London. The north-west suffered worst in loss of both industrial and financial headquarters.

A study of 13 towns in the South-East also showed that relocation was not necessarily the reason why many had developed large reserves of offices, although it was a frequent reason for large new developments.

Fill Swindon, with 900,000 sq ft developed since 1972 and Basingstoke, with 700,000 sq ft, fell squarely into this relocation category. They had been local centres with no higher order functions to all such space.

Norwich, however, with 3m sq ft of office stock, was a traditional centre, whose regional importance provided the demand for such space. This may be why Norwich has so much space—29.5 sq ft per capita.

Other towns showed various sources of growth. In Oxford, for instance, it was seen how a specialised industry such as printing and publishing related to the university could be an important source of growth.

One conclusion which could be drawn from this says Sherman, is that planners should recognise the different roles of their towns and play to their strengths. There are far more towns looking for relocators than the numbers on offer, and acceptance of the regional role as a source of growth could be far more effective than indulging in expensive promotions.

D. L.

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OFFICE PROPERTY 6

Imposition of VAT on building alterations has come as a major blow

Rethink on refurbishment

THE SINGLE most important factor which will influence construction costs this year has been the decision by the Chancellor in the Budget to levy VAT on building alterations with effect from June.

Although primarily intended to apply only to alterations such as kitchen extensions, the move will also affect hundreds of large-scale refurbishment projects. In addition, if some building industry observers are to be believed, a substantial portion of Britain's architectural heritage is threatened. Many are concerned by the Chancellor's moves and until the "dust settles"—literally and figuratively—major projects are being scrapped or postponed.

"One of the great advantages of refurbishment over traditional new build was the cost factor in the form of zero-rated VAT," observes Mr Michael Coates, a senior partner in quantity surveyors Gardner and Theobald. This has all changed with the Budget and where previously builders benefited from a straightforward 15 per cent incentive they are

now faced with a series of anomalies.

"A building that has one facade retained can be assumed to be a reconstruction and will thus fall under the zero-rate of a new build. But if you demolish the guts of the structure, yet retain all the exterior walls, this can easily encounter a VAT rating. The possible anomalies that can arise from this and what some of the finished buildings will look like as a result are unimaginable," says Mr Coates.

Misguided move

"There is a wide impression within the building industry that the Chancellor was misguided in his application of VAT on building alterations. Many projects under serious consideration before the budget have had blue pencils drawn across them," he argues. "It has been claimed that the impact of the move will soon dissipate but if the economics of a structure are suddenly hit by an extra 15 per cent this will affect it now and in 10 years hence. It will not simply go

away but will dog that building for half its useful life."

The option of total demolition and subsequent new build is in fact now likely to come back into the reckoning in a number of cases. "The value of many London properties fell on March 13 (Budget day) and a lot of people just don't realise it yet," says Mr Trevor Osborne, chairman and joint managing director of Speyhawk.

"If we are to retain all the existing walls in one of our refurbishment projects, we will be faced with a VAT bill of £500,000. We have just costed £150,000 to rebuild exactly using similar materials. It seems ludicrous that we should have to knock down a wall and put it back up simply to avoid paying tax, but it doesn't make economic sense otherwise."

The impact of the VAT change on property values, however, is likely to be less important the nearer one gets to the financial heart of London, where the price of the land utilised becomes a greater component in the total cost of the project.

Top quality refurbishment in the City now costs about £100 per sq ft, producing a building with a very high level of finish, including air-conditioning. Re-cladding the exterior may also be involved. A more mundane refurbishment can cost £70-£80 per sq ft.

As Michael Coates says: "Refurbishment can be as simple as a coat of paint or it can be open-ended in cost terms. To make the project economically feasible it is vital to watch costs more closely than on a conventional building site. One difficulty is that the building is already there and the conventional progression of a development is turned upside down, with finishes and lifts arriving early in the equation."

In new build costings can be reasonably accurate, while in refurbishment every site is different, with fashion dictating certain developments. The labour content is higher than in a conventional building and there is thus greater capacity for cost escalation. More non-productive costs are incurred, such as overtime, weekend working and the clearing up of areas so that they are presentable during office hours.

In some cases buildings of the last century are more adaptable than many purpose-built blocks of the 1950s and 1960s. The floor-ceiling heights and floor loading capacities critical for a good refurbishment are often present in these older structures. They are therefore ideal for creating false ceilings, suspended floors and air-conditioning duct paths.

Fewer problems

Buildings of the 1980s will probably provide fewer problems than those of the last 30 years when it is their turn to be refitted because adaptability is now considered more important even in the short-term use of structures by the same client. Flexibility of lay-out and service is, developers report, even beginning to vie with location as the deciding factor in office selection.

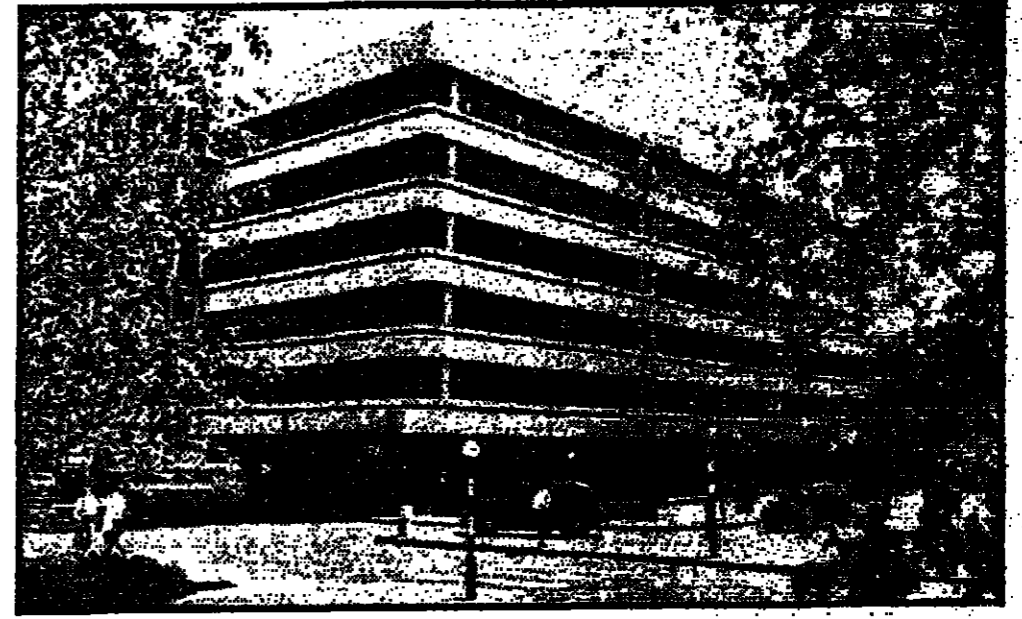
According to Mr Christopher Cotton, a partner in the architectural practice of Whinner Mackay Lewis, "Tenants are more aware of the fitting out side of development do and are conscious of the need to change the interior of a building during the course of its life."

Paul Hannon

Success of a major refit

NUMBER 20 Cannon Street is a 1950s building which has been radically refitted both internally and externally for the Copenhagen Handelsbank. Most of the services have been located on the exterior of the shell in order to maximise floor space and a highly visible contrast has been introduced with the use of tinted glass and aluminium.

More work of this sort is expected by Mr Christopher Cotton, a partner in the architectural practice Whinner Mackay Lewis which has been responsible for work on the building. The firm regards it as a successful example of how a building can be updated, allowing it in this case to make an architectural



20 Cannon Street—exterior contrast by the use of aluminium and tinted glass

statement of its own without impinging on the neighbouring buildings of Credit Lyonnais and the Financial Times.

"It is possible to produce attractive more personal buildings and add to the environment and street scene rather than detract from it,"

says Mr Cotton. "This section of Cannon Street although highly diverse, succeeds architecturally."

"By changing a building can survive. When the Royal Exchange was taken over by Life, it was a clear example on an ancient monument responding to the needs of a

new generation. Furthermore, the five and a half months of conversion work show that such projects are feasible and cost-effective. As the City expands eastward we are going to be faced with more challenges like this," Mr Cotton observes.

P. H.

Bureau analysis of cost factors

THE IDENTIFICATION of cost-sensitive areas can alter the outcome of a project quite considerably and it is important for the client to realise in the beginning the options available and the likely implications of any given decision.

A very "graphic" analysis of the cost components of a modern office block has been prepared by Building Economics Bureau and illustrates how the level of services can radically alter the final bill. "We have sought to remove some of the mystery or ignorance associated with costings," says Mr Paul Bennett, of BEB.

For example, a five-floor, 25 metre x 18 metre central core structure yielding 2,250 square metres of gross floor area would have, according to BEB, a £26 per square metre cost for excavation and substructure work regardless of how the building is fitted out later. Similarly, in situ reinforced concrete floors on upper levels would cost about £29 per square metre.

But external walls can vary

widely. A specification that called for cavity wall infill panels, an outer skin of facing bricks (£200 per thousand) with flush jointing, an inner skin of concrete blockwork with a 50 mm insulated cavity and stainless steel wall tiles would cost an estimated £32.90 per square metre of gross floor area.

At the other end of the scale we are faced with a £153 per square metre GFA for a fully glazed curtain walling system comprising bronzed aluminium framed units, double glazed with "anti-sun" glass, concrete blockwork backing and stainless steel fixing.

A further illustration of the range of costs available to developer and occupier alike is the issue of ventilation and air-conditioning.

Relatively simple extract fans and ductwork to lavatories is estimated at £2.50 per square metre GFA while a twin ducted VAV air conditioning system including all boilers, chillers, filters, grilles, control optimisers and enthalpy controls costs about £143 per square metre

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BEB has calculated that for the building in question maximum and minimum rates for specifications are £445 per square metre GFA and £750 per square metre GFA, or a total project cost of between £1m and £1.68m, of which £320,000 — or 20 per cent of the higher figure — would be allocated to air-conditioning.

Yearly update

These costs are based on prices prevailing in South-East England for "fluctuating" tenders for the first quarter of 1984 and while BEB intends to update the data at least once a year, it is felt in the industry that the current building costs are likely to increase by only 5 per cent this year. Moreover, this is subject to the level of activity in the public sector.

"In a profession loath to be held to fixed prices we wondered why costs should range between £350 and £350 per square metre of floor area and

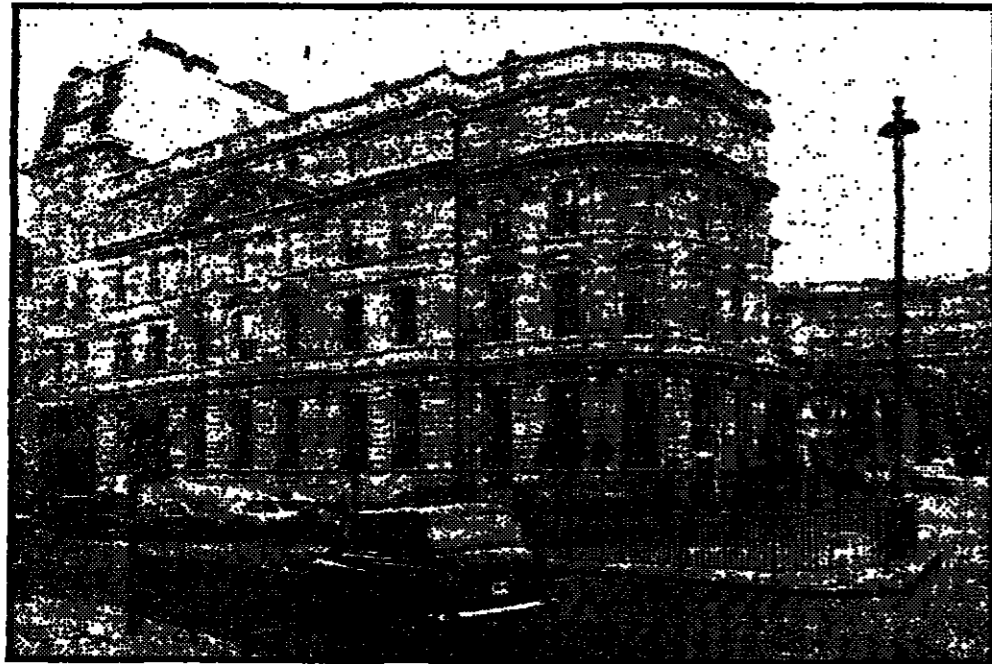
how surveyors and clients could assess at the conceptual stage what was required and what the resources would allow," says Mr Bennett. "If a budget is going seriously wrong it is thus possible to massage it back into shape."

"Since services can represent between 30 per cent and 60 per cent of total costs, there is some room for manoeuvre if you realise where it is and at what stage it becomes available."

BEB's analysis centres on eight building types of design of modern office accommodation with the core as a variable. Within each of these types, three specification levels are examined in detail with every significant component broken down and costed.

The removal of some of the mystique associated with the profession will go part of the way to allaying client fears and generating a productive working environment as the building industry moves into a post-Budget phase.

P. H.



The Drummonds branch of the Royal Bank of Scotland in London's Trafalgar Square, refurbished by a team including Drivers Jous and John Lellott. The bank has the only drive-in facility in London, a Victorian banking hall, and still has its original ledgers in the dining room.

LONDON

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To Let

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To Let or For Sale

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To Let

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M4/M40/Heathrow
To Let

Pembroke House, Camberley
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To Let

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Friday May 25 1984



Deutz plans DM 75m issue to fund growth

BY JAMES BUCHAN IN BONN

KLOCKNER-Humboldt-Deutz, the West German engineering group, plans a rights issue later this year to back up a wide-ranging investment programme in its engine, agricultural machinery and plant divisions.

KHD, which is increasing its dividend by half a point to 16 per cent on improved group net earnings of DM 53.7m (\$19.6m) against DM 52m, plans a DM 75m increase in its DM 265m authorised capital.

The issue will be in the form of ordinary plus non-voting preference shares, apparently so as not to impinge on the majority shareholding of Klockner and Co, the trading concern, and the Heule family.

Herr Bodo Liebe, chief executive, said the company was in no hurry to raise funds. The parent company

equity ratio climbed from 24 to 26 per cent last year, with net interest payments down from DM 13m to DM 3m.

In addition, a KHD subsidiary in the Netherlands is sitting on a "piggy-bank" of several hundred million D-Marks from the sale to Fiat of its 20 per cent stake in the Iveco truck venture.

However, the company warned of uncertainties resulting from the West German engineering strike and pointed to planned investments of around DM 1.25bn to modernise its engine and tractor assembly works.

Because of plant orders booked in the past, parent company turnover is expected to climb to DM 5bn this year against DM 3.8bn last year and KHD hopes to maintain a divi-

dend of at least DM 8 per DM 50 nominal share. Group external sales last year fell back by DM 143m to DM 4.8bn, half of the fall attributable to the sale of a subsidiary.

In the first four months of the new year, parent company sales dropped 6 per cent to DM 1bn against the same period in 1983, but KHD is confident that the gap will be made up by mid-year. Orders booked were up 2 per cent to DM 1.3bn, with a 16 per cent increase from abroad cancelling out weakness at home.

The only anxiety is that component shortages as a result of the present engineers' strike might affect engine and tractor production, where capacity use has improved in the first four months from 68 to 70 per cent.

Earnings at Asea surge by 33%

By Kevin Done in Stockholm

ASEA, the Swedish electrical and electronic engineering group, increased profits by 33 per cent in the first quarter of the year to SKr 513m (\$83.7m) before extraordinary items, appropriations and taxes - helped by rising sales volumes.

Group turnover rose by 20 per cent to SKr 1.7bn. Mainly sales to the industrialised countries are increasing. Asea is still suffering from large construction projects being postponed in developing countries faced with financing problems.

New orders booked in Sweden, the rest of Western Europe and North America all showed growth, with a rise of about 30 per cent over the first quarter of 1983. New orders from Africa, Asia and Latin America all declined.

Overall new orders grew by 17 per cent in the first quarter to SKr 7.6bn, and the group had total orders worth SKr 30bn on hand at the end of March.

Asea said that the gradual switch of sales towards industrialised countries should have a positive impact on profit margins. Asea still expects a "certain improvement" in earnings for the full year compared with 1983.

SAS expects improvement in full year

By David Brown in Stockholm

SAS, the Scandinavian airline, reports a strong recovery for the first half of 1984, with higher volumes in full-fare traffic and better European market shares. It says the full year result will exceed the SKr 601m (\$75m) profit achieved last year.

The interim surplus, before extraordinary items, climbed from a loss of SKr 99m to a gain of SKr 54m for the six months ended March 1984. Airline operations accounted for the bulk of earnings.

Turnover advanced 15 per cent to SKr 8.13bn, while European passenger traffic advanced 2 per cent on average. Full-fare sales were ahead 10 per cent. Worldwide traffic volume was ahead 3 per cent.

There was an extraordinary gain of SKr 102m, resulting mainly from an aircraft sale. The result does not include insurance income of SKr 395m, nor does it take into account the cost of two DC10s recently purchased for SKr 400m. Both items will appear in the current half years result.

Finland survey

IN the banking article of the Finland Survey (FT of May 22) it was stated incorrectly that Kansallis-Osaa-Pankki OP had opened a wholly-owned subsidiary bank in London, and that Union Bank was planning a similar move. KOP has opened a full branch operation and Union Bank will later do the same.

Saab goes up market with new 9000 model

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SAAB-SCANIA, the Swedish motor and aerospace group, yesterday unveiled its long-awaited new car range, the Saab 9000.

The new car, powered by Saab's top of the range 2-litre 16-valve turbocharged engine, will compete in a market currently dominated by Mercedes-Benz, BMW and Audi of West Germany, and Volvo of Sweden.

Saab has invested almost SKr 2bn (\$290m) to develop the 9000, which is larger than the present 900 series. The new car is expected to play a key role in expanding Saab's presence in world markets.

The profitability of Saab-Scania's car division last year was the best since the group began manufacturing cars in 1949. The improving fortunes of the car operation have been the single biggest factor behind the surge in Saab-Scania's group profits, which rose by 48 per cent last year.

Much of the early development work for the new car was carried out jointly with Fiat-Lancia of Italy through a programme of technical co-operation agreed in 1979.

Only a few structural components will be common to the Saab 9000 and the new Lancia model. Both manufacturers insisted on keeping individual identities.

The Saab 9000, which delivers 175 hp and will have a top speed of more than 220 kmh, will be launched in the Nordic market in the autumn and introduced in the rest of Western Europe from early 1985.

Much of its success will depend on the U.S. market, however, where it will be launched in autumn 1985. The U.S. is likely to become Saab's biggest single car market this year and the new car has been designed to meet U.S. regulations.

Saab car sales in the U.S. jumped by 39 per cent in the first quarter of 1984, following a rise of 42 per cent last year.

The group has been a late entrant to world car markets and it was only the development of its turbocharged 900 series in the late 1970s that gave it a product on which to base an international dealer network.

Schindler up despite sluggish lift sales

By Anthony McDermott in Lucerne

SCHINDLER, the major lift, escalator and railway carriage manufacturer, lifted its profits last year from SwFr 41m (\$18m) to SwFr 44.3m. Sales increased from SwFr 1.86bn to SwFr 1.81bn.

Dr Peter Weichhardt, chairman, said yesterday that "sales in the main sector, lifts and escalators, were distinguished by an extremely sluggish market for high-performance installations."

Against the background of recession, Schindler has done comparatively well. But inevitably the measure of this performance is reflected in the employment figures. Overall, the number employed rose by 3.5 per cent to 22,332 at the end of 1983. But Dr Weichhardt acknowledged that this total included for the first time Keighly Lifts in Britain, Schindler Elevator in Canada and Guiral Industries Electricas SA in Spain. Without them the workforce was reduced by 7 per cent to 20,067.

The volume of sales also reached a new peak last year of SwFr 1.87bn, up 7.4 per cent on the figure for 1983. Orders fell in 1982, and thus the increase over that year was 14.4 per cent.

In the most important sector - lifts and escalators - sales rose in 1983 to SwFr 1.51bn from SwFr 1.44bn the year before. According to Dr Weichhardt, sales of new installations of these products were limited by weak exports to the oil-producing countries, as well as a decline in sales to Central and South American states. European countries matched 1983's results.

The value of orders placed for other products increased from SwFr 187m to SwFr 362m. This included several major and long-term rolling stock orders from the Swiss federal railway, and Swiss private railways and urban transport authorities.

State aid for Johnson oil unit

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S state-owned investment bank and A. Johnson, Sweden's third largest industrial concern, have reached an agreement under which the bank could eventually take a controlling interest in Nynäs Petroleum, a wholly-owned Johnson subsidiary.

The move is sharply at odds with the Swedish Social Democratic administration's attempt to move away from involvement in troubled industrial sectors.

In the initial stage of an SKr 1bn (\$125m) reorganisation of the loss-making oil refining operation, which has annual sales of SKr 2bn, the state bank will provide an SKr 100m capital injection in exchange for convertible notes corresponding to a stake of more than 20 per cent in Nynäs over five years.

During the period, further capital injections are to be decided which could increase the state bank's share beyond the 50 per cent mark.

Johnson, the largest industrial concern still in private hands in Sweden, has resisted moves to open its subsidiaries to public share ownership. However, the high risk involved in the plan dictated Johnson's decision to approach the government bank, said Mr Göran Ennefeldt, managing director.

Johnson retains the right to decide whether to convert the bank's option to shares or repay the loan at "above market rates," he said.

Charter dives heavily into the red

By Terry Byland in New York

CHARTER, the Florida-based oil and insurance group which filed under Chapter 11 of the bankruptcy code at the end of last month, lost \$36.2m in the first quarter.

The second quarter is likely to bring a "substantial loss provision", which may mean a significant reduction or elimination of stockholders' equity, directors warn.

In last year's opening quarter, Charter turned in net earnings of \$952,000, but there was nothing for common stockholders after preference dividends were paid.

The domestic marketing group turned in an operating profit for the quarter reported. Overall group sales advanced from \$1.3bn to \$1.61bn.

The results have been prepared on a going-concern basis, but the board commented that Charter's future depended on its ability to reorganise successfully under Chapter 11.

Charter also disclosed that Mr Raymond Mason, who built up the company from his family's lumberyard and still controls about 18 per cent of the stock, is standing down as chief executive, although he will remain chairman.

New fashion in bottles hits Molson results

BY BERNARD SIMON IN TORONTO

MOLSON, one of Canada's largest brewers, raised net earnings to C\$68.9m (U.S.\$53m) or C\$2.41 a share, in the year to March 31 against C\$64.3m or C\$2.27 the previous year, despite lower operating profits from its beer interests.

The past year's results exclude an extraordinary debit of C\$17.6m, reflecting the cost of disposing of surplus compact beer bottles, which have become outdated since the introduction last year of a popular long-necked bottle by one of Molson's competitors, Carling O'Keefe.

If the write-off on the old bottles and other extraordinary items are included, Molson's earnings declined to C\$51.3m or C\$1.89 per share last year, from C\$61.4m or C\$2.01. Revenues rose from C\$1.76bn to C\$1.81bn.

Mr James Black, Molson's chairman, said that higher spending on new containers and other packaging "will result in reduced operating profits for the Canadian brewing industry and Molson." Molson lost market share as its competitors moved more quickly to the newer bottles, but Mr Black said that its share now appears to have stabilised. He said that high priority will be given to expanding exports to the U.S.

Prospects for Molson's non-beer interests, which include chemicals and lumber, are more favourable. Contributions from these divisions offset lower operating profits from beer in the past fiscal year, and Mr Black said that prospects are good for a continuation of the lumber division's recent strong performance.

Litton profits up sharply

BY OUR NEW YORK STAFF

LITTON Industries, the U.S. defence and electronics group, lifted its earnings from continuing operations by 17.4 per cent to \$76.5m in the third quarter ended April 30.

Net income for the period totalled \$75.9m, against \$68.8m a year earlier, when the figures were depressed by a \$6.5m loss on discontinued operations. Earnings per share in the latest period totalled \$1.77, up from \$1.52 (including 15 cents per share for discontinued operations).

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Full particulars of Investment AB Beijer, the Notes and the Warrants are available in the External Statistical Service and may be obtained during usual business hours up to and including June 8, 1984 from the brokers to the issue:

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May 25, 1984

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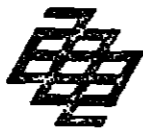
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Jammal Trust Bank chairman detained

By Charles Richards in Cairo

Mr Amin Gemayel, the Lebanese president, has sent a special envoy to Cairo to hold talks with the Egyptian authorities to try to resolve problems concerning a Beirut-registered bank and its chairman, who has been under house arrest for more than a month.

According to Mr Ali Abdallah Jammal, a Lebanese national and chairman of the Jammal Trust Bank, the Egyptian authorities had previously agreed to accept guarantees totalling \$22m offered by the envoy, Mr Sami Maroun, in order to obtain his release. The guarantees cover unpaid cheques issued by Jammal Trust's Egyptian branch.

The Egyptian authorities are refusing to comment on the affair saying that it is in the hands of the Socialist Prosecutor General, who has special powers to deal with allegations of corruption.

Mr Jammal was placed under house arrest on April 15 following a decree issued under the country's emergency regulations that was signed by Dr Foad Mohieddin, the prime minister. The banker is presently confined to his luxury villa on the Nile and although there are two security officials on his door, he is allowed to receive visitors.

The running of Mr Jammal's bank affairs in Egypt has been taken over by the country's Central Bank.

According to Mr Jammal: "We were duped by our own staff." He alleges that four former employees accepted bribes to extend loans to a well known money lender. The Socialist Prosecutor is presently studying the books of Jammal Trust and of another, wholly Egyptian owned bank.

The unpaid cheques were issued in the name of Jammal Trust to three Egyptian banks. The Beirut-based bank is refusing to honour these cheques on the grounds that they were not properly authorised.

The \$22m in guarantees that are being offered will come partly from a pledge of his personal assets by Mr Jammal and partly from the Lebanese central bank, claimed the detained banker. His assets in Egypt include a 50 per cent stake in a 1,500 acre tourist development and a prime office site in central Cairo.

Our Financial Staff adds: The Jammal Trust Bank was set up in 1983 as a subsidiary of the Litex Bank. On information the bank was known as the Investment Bank. In 1971, Mr Jammal and a group of Lebanese shareholders bought the bank from Litex and renamed it on its present name in 1978.

Litex Bank is an unusual institution. It is 97 per cent owned by the Bulgarian Foreign Trade Bank and is headquartered in Beirut with offices in Sofia and London. Its board of directors at the end of 1982 comprised several Bulgarian officials and three Lebanese—Mr Sami Maroun, Mrs Lily Maroun and Mrs Ronalda Maroun.

Hitachi raises income on firm sales advance

BY YOKO SHIBATA IN TOKYO

HITACHI, one of Japan's leading electronics company's surpassed Matsushita Electric Industrial, usually seen as the leading company in earnings capability for the first time in fiscal 1983.

Hitachi's net profits in the year to March 3 rose by 12 per cent to ¥33.4bn (\$359m) and pre-tax profits surged 19 per cent to ¥187.2bn on full year sales of ¥2,648bn, up 13 per cent.

Profits per share were ¥99.76 as compared with ¥26.59 in the previous year. Hitachi's pre-tax profits to sales ratio — believed to be a reflection of earnings capacity by local stock market analysts — for the first time topped 7 per cent to reach 7.1 per cent compared with 6.9 per cent for Matsushita.

Both electric appliance

giants have been fiercely vying for the top earner position. Hitachi's impressive earnings performance was attributed to an expansion of the proportion of electronics products in its products mix and higher sales of VCRs.

During the past year, Hitachi's sales of electric power systems and equipment rose by only 3 per cent to account for 22 per cent of the total — reflecting sluggish capital investment in the domestic steel and power industries. On the other hand, Hitachi's sales of consumer electrical products rose by 30 per cent.

The company's sales of information and communications systems and electronic devices rose by 28 per cent to account for 34 per cent of the turnover. In particular, sales of computers, centering on personal

computers, improved by 23 per cent to reach ¥4,630m. Sales of semiconductors also rose strongly, by 44 per cent.

Exports accounted for 32 per cent of total sales up by 23 per cent from the previous year.

During the past year, Hitachi paid IBM approximately \$500m to settle the lawsuit concerning alleged industrial espionage. The company also lowered its VCR and semiconductor manufacturing equipment prices ahead of the scheduled time to take into account the shorter life-span of the equipment.

These higher costs were more than offset by the favourable effects of volume production of more profitable products and the sharp increase of net financial revenues.

The company increased its term end dividend by ¥0.5 to pay ¥7.5 per annum.

C. Itoh sees higher revenues

BY ROBERT COTTRELL IN TOKYO

C. ITOH, Japan's third largest general trading house, has reported net unconsolidated profits for the year to March 31 of ¥3,411bn (\$14.7m), up from ¥3,081bn in the previous period. Pre-tax profits fell from ¥33.81bn to ¥30.97bn.

The company is maintaining its dividend at ¥3 per share and says it expects sales to rise from ¥12,988bn in 1983-84 to ¥13,500bn in the current period.

C. Itoh specialises in energy-related and chemical products. Marubeni, the general trading company which rose to second place in the "soga shosha" league, yesterday reported unconsolidated net profits of ¥3,741bn for the year to March 31 up from ¥3,646m.

Pre-tax profits fell from ¥23.21bn to ¥23.1bn and the dividend is maintained at ¥5. Marubeni does not forecast

profits for the current financial year, but says it expects sales to rise to ¥12,400bn from ¥11,800bn in the period just reported.

The company's profits are recovering from a poor 1982-83 fiscal year in which its domestic subsidiaries were in the trough of Japan's recession. The group was suffering from debt delinquencies. Its major product lines are machinery, chemicals and metals.

MHI boosts earnings 109%

BY OUR TOKYO STAFF

MITSUBISHI Heavy Industries (MHI), Japan's largest heavy machinery maker and shipbuilder, more than doubled its unconsolidated net profits to ¥206.9bn (\$893m), up 109 per cent in the fiscal year ended March 31, 1984, thanks to an improved operation rate in the shipbuilding sector helped by big orders received for small bulk carriers and rationalisation efforts in its chemical plant sector.

Full year recurring profit jumped by 116.6 per cent to ¥53bn on sales of ¥1,908.1bn, up 16.2 per cent from the previous year. Net profits per share advanced to ¥10.66 from

¥5.12 in the previous year. During the past year, sales in the shipbuilding sector fell by 4.2 per cent to account for 16 per cent of the total turnover, partly because of the decline in vessels to be delivered. Sales of its prime mover went up by 26.7 per cent to account for 30 per cent of the total turnover.

Sales in the chemical plant sector jumped by 51.6 per cent to account for 18 per cent of the total turnover. Sales in the machinery sector and aircraft sector improved by 5 per cent and 9 per cent respectively. Exports, accounting for 34 per cent of the total turnover, rose by 10.2 per cent. Orders re-

ceived in the past year increased by 3.7 per cent to reach ¥1,743bn.

Effects from an improved operation rate in the shipbuilding sector, a decline in unprofitable overseas plant construction orders and higher revenues boosted profits.

In the current fiscal year ending March 1985, MHI plans to receive orders of ¥2,000bn. Sales in chemical plant and machinery are expected to slow down. As a result, sales are expected only to equal the previous year's level.

The company expects earnings to be the same as in the previous year.

Sharp increase in profit by leading polyester maker

BY OUR TOKYO CORRESPONDENT

TELJIN, the textile and plastics company which is Japan's largest polyester producer, says its unconsolidated net profits rose sharply to ¥12.18bn (\$2.3m) in the year to March 31, from ¥7.11bn previously.

Pre-tax profits rose to ¥20.35bn from ¥13.54bn, while sales rose to ¥423.02bn from ¥412.8bn. The dividend is increased to ¥5.50, from ¥5.

Teijin forecasts for the current year that it will achieve net profits of ¥13bn, and pre-tax profits of ¥25bn, on sales of ¥440bn. It plans a further dividend increase, to ¥6 per

share. Asahi Chemical Industry, an integrated synthetic manufacturer, reports unconsolidated net profits of ¥11.12bn for the year to March 31, up slightly from the ¥10.8bn earned in the previous year.

Pre-tax profits rose more sharply, from ¥18.57bn to ¥26.53bn but special below-the-line costs were added by lump sum payments to retiring employees.

Asahi's sales rose from ¥629.55bn to ¥706.46bn, while the dividend has been maintained at ¥6.

Hino Motors reports further decline

By Our Tokyo Correspondent

HINO MOTORS, the principal truck-manufacturing affiliate of the Toyota Motor Group, says its net profit for the year to March 31 fell to ¥4.2bn (\$18.1m) from ¥4.76bn—the company's second successive earnings decline.

The dividend is maintained at ¥6 and is forecast to be the same for the current year.

Pre-tax profit fell from ¥8.25bn in 1982-83 to ¥6.35bn in 1983-84, on near static sales of ¥392.7bn against ¥396.4bn.

These securities were offered and sold outside the United States. This announcement appears as a matter of record only.

U.S. \$250,000,000



Azienda Autonoma delle Ferrovie dello Stato

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March, 1984

National Australia Bank ahead

BY LACHLAN DRUMMOND IN SYDNEY

NATIONAL AUSTRALIA BANK has followed its two bigger private banking rivals in reporting a 40 per cent jump in net earnings from A\$75.8m to A\$106.2m (US\$96m) for the six months to March 31.

The company proposes to raise A\$208m through an issue of 10 per cent subordinated convertible notes for only nine months after it approached shareholders for A\$130m through a discounted one-for-four rights issue.

The bank's expectation of opposition from its big institutional shareholders, who for the most part are already heavily weighted in bank stocks, is evident in the pricing

of the issue which is pitched at the equivalent of yesterday's pre-issue share price of A\$3.40 rather than carrying the traditional premium over current prices for future conversion.

The issue news knocked the shares to \$3.35 in an already edgy market.

As such the bank is offering shares on a 10 per cent yield compared with the historically generous 7.35 per cent prospective yield established with yesterday's increase in the interim dividend from 11 cents to 12.5 cents. The notes are convertible at two-year intervals from June 30 1985 to 1993.

The bank says the additional cash is required to fund normal growth and expansions in electronic banking. The latter spending is not expected to bring immediate returns.

Per share profits came out at 32.5 cents compared with an adjusted 29.5 cents.

U.S. \$50,000,000

ÖSTERREICHISCHE LÄNDERBANK AKTIENGESELLSCHAFT

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Floating Rate Subordinated Notes Due 1994

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 25th May, 1984 to 26th November, 1984 the Notes will carry an Interest Rate of 12½ per annum. The interest amount payable on the relevant Interest Payment Date which will be 26th November, 1984 is U.S.\$321.18 for each Note of U.S.\$5,000.

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Managers: Barclays Unicorn International (Channel Islands) Limited P.O. Box 152, St. Helier, Jersey, Channel Islands.



KANSALLIS-OSAKE-PANKKI

U.S. \$25,000,000

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In accordance with the terms and conditions of the above mentioned notes, notice is hereby given that the rate of interest for the six months from 23rd May to 23rd November 1984 has been fixed at 12½ per annum and the amount payable on coupon No. 5 will be US\$31,944.44

Nordic Bank PLC

FINANCIAL TIMES SURVEY

Friday May 25 1984

International Property

Several of the world's major property markets are showing signs of moderate recovery. The question is whether the improvement can be maintained. Investors remain cautious and users highly selective

Time for rethink on priorities

ABOUT 2,000 people from the world of commercial property meet in London over the next few days at the 35th Congress of the International Real Estate Federation.

International property markets have certainly been providing participants with plenty of food for thought. The business of development and investment has been undergoing one of those periodic upheavals which the evolution of any industry demands.

The widespread global recession either forced or encouraged a long-overdue re-evaluation of property requirements among occupiers. In turn, the property industry has been forced to rethink its own strategy and priorities.

So while the immediate health of the world's major commercial property centres will monopolise much of the conversation in London during the next week, other important issues will also get a good airing.

Appropriately, the theme of the Congress will be the need for the property business to adapt to the changing environment around it, to take into account the impact of technology on new buildings, to seek faster and more efficient construction methods and to pursue original, innovative design.

Besides a broad range of skills, property also consumes vast financial resources, so the search for new sources of money and for new funding formulas represents an equally important part of the industry's evolution.

The commercial property

By Michael Cassell

business presents widely differing pictures around the world. In many European countries, for example, it has long been regarded as a prime investment vehicle for major financial institutions, which long ago perceived the benefits of steadily rising capital values and regular increases in rental income.

In the U.S., however, the market was for many years dominated by private investors in the shape of developers-owners. Only relatively recently has the market become institutionalised, and even now the relatively small investor maintains a powerful influence through the syndicated investment companies which have mushroomed like the properties they own.

The U.S., above all other markets, continues to attract the majority of funds available for cross-border investment in

property. The market is keenly competitive and higher returns are usually reflected in higher risks. But most investors still regard it as the safest and most stable place in which to put their money.

Several major property centres in the U.S. are now enjoying a buoyant recovery and such is the scale of investment interest that the traditionally high yields which have attracted investors are falling back quite significantly.

Few people are likely to be put off, given the tax advantages extended to real estate ownership and the underlining confidence for longer-term prospects in what is usually a longer-term and relatively illiquid investment.

In marked contrast to the U.S. outlook, the Hong Kong property market would be hard-pressed to offer investors much in the way of stability, given its recent record. Scandals have been numerous and the property sector has paid the price for a building binge which ignored the laws of supply and demand.

But now an even bigger threat to business confidence—a fundamental factor behind any form of investment but particularly with something as illiquid as property—has arisen with the emergence of the outlines of a settlement over Hong Kong's future.

Although the subsequent transition may be a prolonged one, Hong Kong is due to be taken over by Communist China in just 13 years, when British administration ends. The full impact of that prospect on the commercial property market, a major element in the colony's economy, has yet to sink in.

In a report which coincided

with the first official British statement on the progress of the Sino-British negotiations since they began in 1982, Jones Lang Wootton, the surveyors and estate agents, put a brave face on it.

After 1997

Their review states: "Whatever happens after 1997, there are still 13 years in which to prosper. Pay-back periods in all fields of business will reflect the risks involved and prices will adjust to attract investment. There has already been a significant reduction in property values."

Jones Lang Wootton emphasises that Hong Kong has become the place for international companies to base their Asian regional offices and new companies continue to set up there in preparation for the opening up of China. But decisions like those of Jardine Matheson to relocate their legal base do little to support such confidence.

Jones Lang Wootton goes on to point out that the countries which are most relaxed about the future of Hong Kong are, fortunately, its two major investors—the United States and Japan. American investors, they add, are being "positively encouraged" by the appreciation of the dollar and the drop in local real estate prices.

All, or some, of these suggestions may be true but there can be no escaping the fact that Hong Kong's dynamism is now overshadowed by its uncertain fate. Unpredictability has never been a basis for enthusiastic property investment.

One of the beneficiaries of Hong Kong's problems may well be alternative commercial and

financial centres in the same region, like Singapore, with its thriving, free-enterprise economy and an "open door" investment policy.

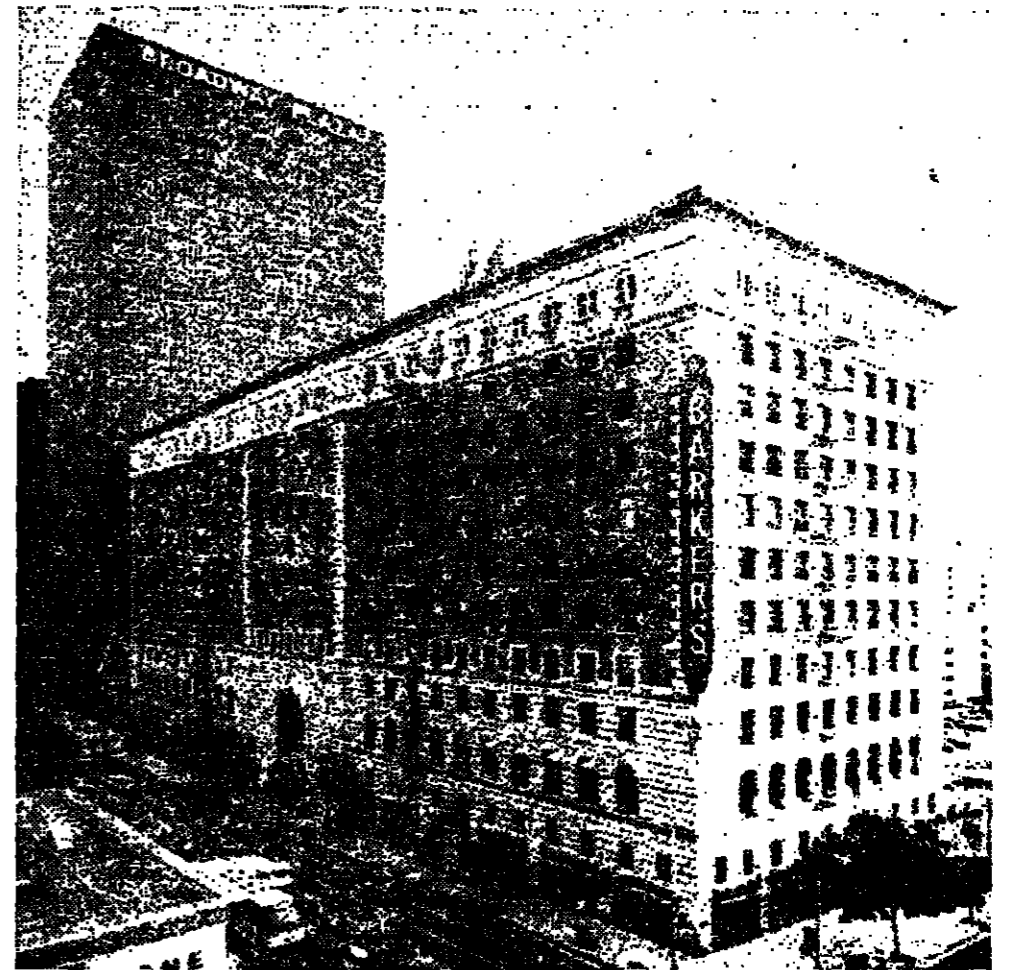
Institutional investment in commercial property is very limited because of the absence of domestic pension funds, but foreign contractors and developers are present and it is widely assumed that overseas investment finance for property will now begin to emerge. The market is small and highly-priced but there is evidence that investors from Japan and the Middle East are already taking a close interest.

In Europe the major property markets have remained comparatively subdued, with sluggish economic growth widely reflected in slack demand for most types of property.

Rents generally have shown little growth and, in turn, development and investment activity has been restricted and increasingly selective. In the UK, for example, the level of institutional investment in commercial property fell during 1983 to its lowest level for five years. Similar disenchantment has been reflected in the investment interest of pension funds and insurance companies on the Continent.

There are now some signs of an improvement in demand for space—the first stage in any fresh cycle of investment and development—in important centres like London and Paris. But the general view appears to be that any improvement will be gradual and that not all types of property—or all locations—will benefit from a brighter climate.

A common theme in European markets has been the



The U.S. property market continues to attract widespread interest from foreign investors. Hammerson, the UK property investment and development group with substantial North American property interests, has just paid about \$60m (£43m) for this Barker Brothers building in downtown Los Angeles.

growing tendency for occupiers to go for the best accommodation available, opting for efficient, functional and modern space in preference to older floorspace which is not necessarily cheaper when total overheads are calculated.

Extend life

The development industry has responded by embarking on a wave of improvement and refurbishment activity designed to extend the life of property which, in a tenants' market, can no longer guarantee a rising income—or any income at all.

Once the properties are knocked into shape, the landlords may also have to pay more attention to the terms and conditions on which they let their buildings. Shorter leases and less regular reviews, already

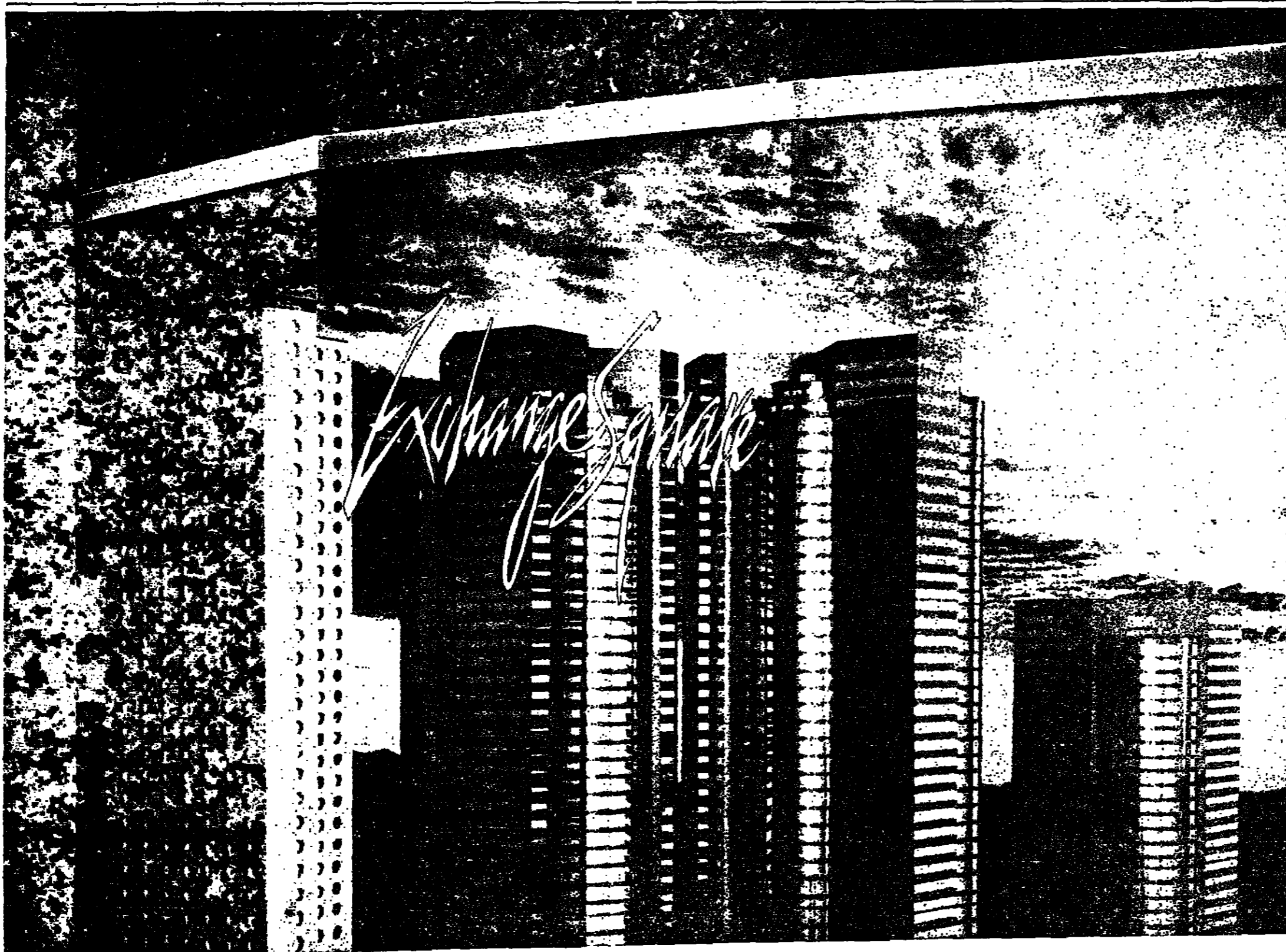
apparent in some markets, indicate a growing acceptance that the landlords' dominance can be shaky.

There have also been indications that investors, whilst still prepared to treat commercial property as a serious option, may prove increasingly reluctant to expose themselves on large, individual projects. As a result, consortium-funding techniques are beginning to emerge and could well be heavily exploited in future.

How many of the recent changes in attitudes towards property prove enduring and how many are ditched if and when the supply-demand balance swings back in favour of the property owner, remains to be seen.

The occupier has put the recent climate to good advantage and will be fighting hard to maintain the initiative.

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International Property 2

Rents remain sluggish in most world centres. William Cochrane reports on occupation cost comparisons

Lack of any uniform trend

	Annual rental change per cent			
	£	Local	£	Local
Adelaide	N/A	N/A	9.9	8.8
Amsterdam	10.5	5.0	4.7	1.9
Brisbane	N/A	N/A	18.0	16.8
Brussels	9.1	5.6	3.6	3.3
Canberra	N/A	N/A	8.5	7.1
Dublin	10.7	12.8	7.7	10.7
Edinburgh	N/A	N/A	7.3	7.3
Frankfurt	N/A	N/A	8.0	4.0
Glasgow	12.4	12.4	15.2	15.2
Hong Kong (central)	15.8	13.3	12.5	12.5
Houston	N/A	N/A	16.3	16.4
Jakarta	N/A	N/A	9.54	6.14
Kuala Lumpur	N/A	N/A	18.9	12.7
London (City)	6.7	6.7	6.4	6.4
London (West End)	9.4	9.4	7.1	7.1
Los Angeles	12.7	9.7	23.1	16.6
Melbourne	N/A	N/A	17.5	16.7
New York (midtown)	12.3	8.4	23.0	17.2
Paris	7.4	6.5	4.8	7.5
Perth	N/A	N/A	15.6	14.3
Rotterdam	7.7	2.5	5.1	2.1
San Francisco	14.1	10.0	19.4	13.5
Singapore	18.7	10.9	22.5	14.8
Sydney	N/A	N/A	16.5	14.5
The Hague	11.4	6.2	9.5	6.6
Tokyo	N/A	N/A	15.0	6.1
Washington DC	15.7	11.6	19.4	12.5
Mean	11.7	8.7	12.8	10.2
Standard deviation	3.4	3.2	6.2	4.9

Source: J. L. W. Research International.

TWO YEARS ago top office rents in Hong Kong were the highest in the world in sterling terms—£30.58 per sq ft compared with £29.89 in New York and £28.00 in London, according to the May 1982 survey of world rental levels produced by London agents Richard Ellis.

This survey took a dim view of the situation. Observers were saying then that the Hong Kong property market was facing a major test of nerve. High interest rates, a downturn in the local and national economies and a rising oversupply of space as a result of speculative development suggested that an historically mercurial market was liable to show that it could swing both ways.

In May of this year, again according to Ellis, Hong Kong is down the table at £19.25 a sq ft and the malaise has extended to Singapore, which has come back from £21.06 to £15.90 a sq ft over the two-year period.

There are other areas of actual or potential instability, masked or exaggerated by the currency fluctuations which be-

lieve international rental comparisons. Two years back New York had seen rental levels more than doubling from \$29 to \$60 a sq ft since January 1980.

It has subsequently slipped back by up to a fifth in dollar terms (Ellis says to \$52.50) but local professionals indicate a modest recovery recently and fallen behind Tokyo—top of the table for sterling rents at £36.79. It happens that at £11,700 per sq metre per month, this market is exactly where it was a year ago.

Earlier this year some U.S. property brokers were predicting top New York midtown rents of \$90 a sq ft within two years, so it may take more than a year to get back to the Tokyo top.

Taken in terms of total occupation costs, the Ellis survey will probably be greeted by the usual cliché—at this level the City of London is the "most expensive place in the world."

Including rates and service charges, the City comes out at £52.70 a foot compared with £45.03 for New York and £44.52 for Tokyo. Given that the mar-

ket makes the rent, the City could just as reasonably be described as the most attractive office location in the world—and reveal in it.

Other noteworthy elements in the Ellis table include the stagnation or decline of most European capitals, the rise of other American cities over two years and excellent performances in Australia from Sydney, Melbourne and Perth during the same period—with sterling rises of 42 per cent, 34 and 53 per cent respectively.

Growth rates

Meanwhile, another firm of top London agents, Jones Lang Wootton, have got into the act with a March 1984 guide to trends in international office rents. Their table lists annual growth rates for top office property in 27 centres for the periods 1970-84 and 1975-84 both in terms of local currency and in sterling.

For the 1975-84 period J.L.W. notes that in terms of sterling the high performing cities are Brisbane, Los Angeles, New

York (midtown), San Francisco, Singapore and Washington DC. "The high proportion of U.S. cities," they say, "may help to explain UK investors' interest in U.S. property investment since 1979."

In local currency terms, the high performing cities are Brisbane, Glasgow, Los Angeles, Melbourne and New York (midtown). "To some extent," J.L.W. points out, "high performance is related to low initial base rental values." This point, they say, highlights the importance of base year selection in rental growth calculations.

Partly for this reason, J.L.W. have put in graph form the rental information on each of the cities considered. These show that Brisbane, Hong Kong, Jakarta, Kuala Lumpur, Los Angeles (with hiccup), Melbourne, Perth, San Francisco, Singapore and Sydney all went into overdrive towards the end of the 1970s.

Unfortunately, Dublin and New York did it too, ruining what would otherwise have been a perfectly decent Pacific Basin theory.

WORLD OFFICE RENTALS

	Equivalent net rent in £ sq ft pa	Service charge per cent	Rates/charge property tax per cent	Total occupation cost £ per sq ft
London—City	31.80	15	55	52.70
London—West End	22.00	15	40	34.76
Manchester	6.50	35	58	12.61
Glasgow	7.00	39	63	14.14
Brussels	4.99	29	11	6.99
Paris	16.17	25	5	21.92
Amsterdam	6.61	20	15	9.05
Frankfurt	9.54	25	1	12.02
Madrid	8.10	23	5	10.33
Barcelona	4.97	21	5	6.26
New York	34.53	12	19	45.63
Chicago	15.67	33	22	24.29
Los Angeles	20.29	18	6	25.28
San Francisco	22.19	32	8	28.68
Sao Paulo	6.21	31	4	8.26
Singapore	15.90	22	30	24.17
Hong Kong	19.25	15	11	24.25
Tokyo	36.79	11	10	44.82
Johannesburg	8.13	21	—	9.84
Melbourne	11.01	24	12	14.97
Sydney	19.25	12	10	23.48
Perth	7.73	27	16	11.09

Source: Richard Ellis.

Sentiment in Western Europe remains generally dull, though observers in some countries detect hopeful signs

Institutional investors moving back into the market



Shown here in model form is London Bridge City, likely to prove a major international influence on the UK property market. The developers, Arab-owned St Martin's Property, could spend some £350m on this giant project on the South Bank of the Thames

United Kingdom

WILLIAM COCHRANE

WHAT RECOVERY there was in the UK property market last year came too late to affect the statistics. Among other things these showed another deep decline in institutional investment in the sector and evidence of apparent over-development of office and industrial buildings.

The latest figures released by the Central Statistical Office (CSO) confirmed the reluctance on the part of UK insurance companies and pension funds to allocate funds to commercial property, which has been providing poor returns in contrast to the available from Government stocks and equities.

Domestic investment from these sources plunged to its lowest level for five years during 1983, to £1.3bn compared with nearly £1.8bn in the previous 12 months and £2bn in 1981.

In office property, agents Hillier Parker recently estimated the country's surplus of office space—or at least the amount of available unlet space—at 27.4m sq ft, up by over 25 per cent in one year and by more than 50 per cent in two years.

King and Co's January report on available industrial space in England and Wales recorded a rise of "only" 1.25 per cent in the four months to mid-December to a total of 171.6m sq ft. They said at the time that this reinforced the view that the continuous increase in available floorspace recorded between December 1979 and April 1983 might have abated.

But here we come back to Hillier Parker. In March the firm conducted a survey on empty space in new industrial properties and reported voids in new schemes up from 10 per cent in February 1983 to nearly 34 per cent in the same month of this year. Despite a small drop in the level of new development.

In retail property the picture was different. Development passed its zenith, in terms of major shopping centres, some years ago and one of the major themes of the year was the need to refurbish many of the developments undertaken between ten and 20 years ago.

Institutional funds, on average less well represented than they would want to be in this sub-sector, have continued to channel in their money. Perhaps it helped in that it is much easier to buy small prime shop investments—and that these

also tend to go obsolete at the expense of the tenant rather than the landlord.

However, things were getting better for the whole market towards the end of last year. In their latest international property report, agents Richard Ellis reckon that this will continue: "The upturn in the property market noted at the end of 1983," they say, "has continued into 1984. Tenant demand for good quality property is stronger, institutional funds are moving back into property and property companies are performing consistently well."

There are those who think that the level of new investment in property will show a marked improvement in 1984. Rowe and Pitman Property Services, the property arm of the City of London stockbrokers, think that the figures could get back to the £2bn level again.

It will be interesting to speculate on how this figure is made up, if it is actually achieved. The investment market can be sectioned in a number of ways. Jones Lang Wootton, in their international property report 1984, said that a two-tier investment market continues to operate in Britain, "with prime property still extremely keenly sought after and secondary property sometimes languishing."

One or two of the more active funds might say that they can get more out of secondary property if they can win it at all. "You can get a secondary office yield down from 8 to 7 per cent," said one fund manager, "but if you are into prime at 41 you are not going to go much lower."

Design is still a mood in show business—"we're in retailing, all of it great fun. But city planners and developers and refurbishers of

city centre shopping property should not forget the operational quality angle. Too much in town shopping in the UK has been turned into a slog by the lack of adequate access roads and/or adequate and reasonably priced car parking.

Out-of-town and edge-of-town shopping in the UK has taken a long time to catch on across a broad range of retailing but it is expanding fast now in foods (still), consumer durables and do-it-yourself, with others in prospect. U.S. retailers talk of their town centres as "holes in the doughnut"—with all the action around the perimeter.

The maturing fund manager too is more likely to go for direct development; it was a feature of the 1983 investment market that funding was available on a selective basis while there was not so much interest in completed investments.

As they become their own developers the funds are re-membering the lessons of 1981 and 1982 when, after a boomlet in the construction of new commercial property with secondary locations and developments of questionable quality, the occupiers took and exercised the whip hand.

There are catchwords in all three sub-sectors of the market. Operational quality is what they talk about for offices—large floors, good natural lighting, air-conditioning, underfloor voids and so on.

In industrial property the phasing-out of industrial building allowances in the last Budget removes an uneasy prop to the development market. But "high-tech," mixed centres and science parks give observers hope, as does the massive international electronics presence in centres as far apart as Scotland and the M4.

Paris brokers see signs of recovery in the offing

AT LONG LAST investment sentiment in the French property market is beginning to show some signs of improvement. Since the Socialists came to power in France in May 1981, property investors seemed to have been seized by a sense of panic.

Investment, especially in high-quality residential and secondary residence property, has dried up over the last two years. All the large Paris-based property brokers expect a recovery in the investment segment of the market. Jones Lang

Wootton says that while the market for investments over FFR 50m remain limited, demand has been growing for transactions in the FFR 10m to FFR 50m range. Some pension funds and insurance companies are also considering investments of more than FFR 100m but on an extremely selective basis.

M. Hingues de Diesbach, who heads the Cabinet Bellerche, a medium-sized Paris residential broking and property management concern dealing at the top end of the Paris market, suggests that the remarkably strong performance of the Paris bourse during the past two years could help to stimulate a recovery in property investment.

But this again is likely to be on a very selective basis. "Many people have made money on the

bourse and may start looking to place their gains into new investment vehicles," says M. Diesbach.

He sees a possible pick-up in residential investment not only in the Paris area but also in the provinces in such cities as Lille, Tours, Bordeaux, Marseille, Lyon and Grenoble.

M. de Diesbach also sees attractive investment opportunities in agricultural land. Here French prices have fallen more sharply than in the real estate market, where the bottom has probably now been reached. Some Swiss and Canadian investors have started to show interest in agricultural property in France. Land prices in the central regions of the Nièvre and Allier are particularly attractive for potential investors, with prices per hectare falling to between FFR 8,000 and FFR 10,000.

The residential rental flat market, and the top end of the Paris market especially, remains in a state of suspended animation because of the controversial rent law, introduced by the Socialists, called La Loi Quilbot.

This law caused a trauma in the market, drying up available space because many property owners were deeply worried that their rights over tenants would be greatly diminished—much as the turmoil in the UK rental market was caused by the celebrated Wilson Government Rent Act.

One problem of the Quilbot legislation was that it took so long to come into effect. The anxieties provoked by the law on the market have yet to be abated because the law has not yet been tested in court.

A few cases under the new law are being heard by the courts now, though no judgments have yet been handed down. But professional property dealers and brokers acknowledge that there had been widespread abuse by individual

property owners, which led to the introduction of stricter rent legislation.

The impact of the new legislation, market professionals claim, has been largely directed at the individual property owner. Moreover, market professionals say that more and more individual owners will now have to turn to the professional because of the complications of managing even a limited number of rental properties.

If the demand for rented residential property, especially in Paris, continues to outstrip supply—and the search for a flat in the capital is still a most unsavoury and humiliating busi-

France

PAUL BETTS

ness—the situation is no better in the office market. This market continues to suffer from chronic shortages and consequently has seen rents and prices continue to rise steadily.

In its international property report, Richard Ellis notes that rents in the Paris office market vary greatly. In the central and western business sectors of the capital rents range from FFR 1,300 per sq metre a year to FFR 1,700 per sq metre a year.

But the best Parisian sites like the Champs Elysées or the Place Vendôme currently command rents of more than FFR 1,800 per sq metre a year and can go as high as FFR 2,500 per sq metre a year.

Richard Ellis also noted that the western suburbs and the modern La Défense business district have benefited from the situation in central Paris with rents in Neuilly now ranging between FFR 1,000 and FFR 1,200 per sq metre a year and averaging FFR 900 per

sq metre a year at La Défense.

The new towns around Paris are continuing to develop slowly but steadily, says Richard Ellis. The impact of the planning restrictions in the capital and encouragement from the Government. The industrial and warehouse market, however, is still tottering under the current economic recession in France.

The recession and France's continuing programme of economic austerity is still ravaging the construction industry and prolonging—in some cases worsening—the virtual halt in new building which began more than four years ago well before the Socialists came to power. This stagnation of new development has had a dire impact on the construction business.

Some important French construction concerns have faced increasing liquidity problems with some teetering on the brink of bankruptcy has caused considerable anxiety to the Government.

The French building industry's statistics show that domestic construction activity last year fell 4.7 per cent after slipping by 4.2 per cent in 1982. For the current year, the industry expects another fall of around 4.1 per cent.

The French Government is trying to stimulate development by a combination of new financial aids and the encouragement of some large urban schemes, especially in Paris. Through a special levy on petrol sales it is also raising about FFR 10bn for a fund to help to finance large building projects.

Apart from coming to the rescue of a sector in deep trouble, the Government is also hoping that some of these projects will provide a little relief on the employment front.

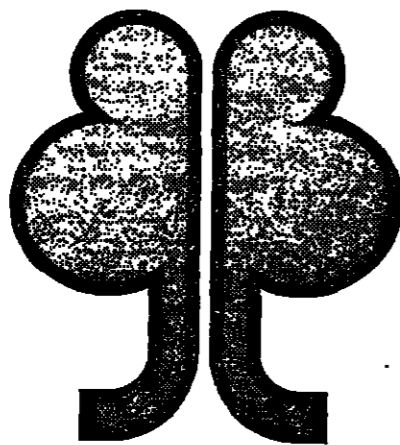
Unemployment in France is continuing to rise this year and is expected to exceed 2.5m by the end of the year.

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International Property 3

Prime areas like Frankfurt could prove pacesetters . . .

W. Germany

JOHN DAVIES

FROM THE window of his 21st-floor office in Frankfurt, Mr Stephen Cotton has a sweeping view of the city. Before his eyes has grown one office block which gives some cause for satisfaction—the Bürohaus an der Alten Oper, where available space has been let at top rates.

Mr Cotton, a partner in the West German offices of Jones Lang Wootton, the UK real estate group, voices what might best be described as cautious and discriminating confidence about the German property market.

He is quick to stress the dispersed nature of the market—in a country famous for decentralisation—and points to the need to focus on prime areas within the main cities.

Weatherall Green and Smith, another UK concern active in West Germany, is also discriminating in its approach. Summing up trends in a recent fairly sober report, it described 1983 as a difficult year for the West German property market but suggested that 1984 might prove to be easier.

In Frankfurt, with its host of banks, office rentals have risen in prime sites in recent years.

A rental of DM 35 per sq metre per month appears to have become established for prime space in the banking area of the city. This compares with a level of DM 30 a few years ago and around DM 26 or so in the mid-1970s.

In contrast to Frankfurt, prime office rentals in other major centres such as Düsseldorf, Hamburg, Munich and Stuttgart are in general at or below DM 30.

The DM 35 prime rental in Frankfurt was achieved, for example, in the letting of available space in the Bürohaus an der Alten Oper. An exceptional rental, in excess of DM 45, was agreed for the penthouse floor, where space is to be taken for the American Express Consul Club.

Talking point

The spectre of over-supply remains a talking point in cities such as Frankfurt and Düsseldorf but in Frankfurt in particular it is generally seen as more of a problem in peripheral areas.

"Frankfurt had significant over-supply of offices in the early to mid-1970s," says Mr Cotton, who is a veteran of the German and Belgian property markets and has also advised Kuwaiti investment interests. "There was far too much built and far too little demand. There was general depression everywhere."

"It has been taken up gradually, accelerating in 1979, 1980 and 1981. There was a big take-up in those years. Now it is fairly slow, but the central city area, particularly the banking district and the West End, is very limited."

Mr Cotton foresees a dearth of office space in the prime banking area of Frankfurt. "There is very strong demand and very little space that is available now," he says.

"Certain organisations, such as banks and service firms of lawyers, accountants and tax advisers, have to wait for the next stock of buildings. If they were not so location-conscious, they could go outside the centre and find the space they require. But the greatest demand and concentration at present is for this prime banking district."

"These people who are looking for space are having to shelve their plans for a couple of years, which points to the possibility of pre-lets on those very few development schemes that are at present under study in this central area."

Frankfurt's central banking district is steadily expanding and can perhaps be taken to include the stretch of Mainzer Landstrasse from the rebuilt Alte Oper towards the Platz der Republik, where a major construction project is under way for the Deutsche Genossenschaftsbank group.

Along this stretch an old AEG building has also been pulled down to make way for an office development being handled by Jones Lang Wootton on behalf of a Netherlands company.

The West End of Frankfurt—once the scene of student demonstrations and of squatters' attempts to save old residential buildings—is steadily becoming a more commercially developed area, though with some residential property.

The centre of property controversy these days, however, is the "red light" area in front of the main railway station, a garish array of sex clubs, peep-shows and similar establishments. Proposals by city authorities to move them elsewhere could release sites for other major projects.

Computer centre

Beyond the centre of Frankfurt lie the peripheral office concentrations of Eschborn and Niederrad, where over-supply of space remains a problem. Niederrad, which houses some computer companies, has the advantage of being located between the city and the airport.

While good office space may command upwards from DM24 in the West End, Niederrad rates may range between DM18 and DM22, with Eschborn rentals perhaps between DM15 and DM20.

Hamburg has seen a modest improvement in office rentals over the past 12 months or so, while Düsseldorf, with a lot of new accommodation expected to come on the market in the next few years, has shown little rental movement.

In Stuttgart, with its relatively strong industrial economy, the office market has remained healthy. Munich has experienced a revival of rental values even though there has been much new development.

Industrial demand

In the industrial property market, Weatherall Green and Smith noted signs of renewed demand, as the West German economy has begun to pick up. Demand has come in particular from the electronics and computer industry and from haulage companies.

But a lot of older accommodation has long been vacant, with market values often falling well below costs of construction or of acquisition.

The retail rental market has shown encouraging signs in the major cities. Foreign retail chains, including U.S. fast food groups and UK, French and Italian fashion houses, have been taking sites in some prime areas.

On the property investment front, West Germany is widely regarded as a relatively unexciting but consistent and solid performer if prime locations are chosen. But investors seeking a high yield and fast return are apt to be more attracted to the U.S. or some Far Eastern markets.

Yields in West Germany are generally lower than those in France or Belgium and perhaps on a par with UK yields.

"We advise our investing clients at the moment to concentrate on prime office or shop property in major cities," says Mr Cotton. "We recommend they concentrate on Frankfurt, Hamburg, Düsseldorf, Stuttgart and Munich and on prime sites."

West German property investors—notably insurance companies and property funds—have been putting more money into the market in the last 18 months or so. Open-ended property funds have attracted increased deposits as investors

found that the rate of return on other avenues of investment had declined.

The strength of the investment market has given some owners the chance to dispose of property with limited potential, as Mr Chris Bull-Diamond points out in Weatherall Green and Smith's recent report on Germany. This enabled "prudent" owners to maintain the attractiveness of their portfolios, he says.

Weatherall Green and Smith also sees an increasing awareness of the need for "active management policies" if tenants are to be kept in the face of new competitive accommodation in West Germany.

"Property management internationally has in recent years moved from the basic concept of rent collection and repair to a very much more sophisticated and professional level, aimed at maximising the potential of each property," the firm says. "In the past West Germany has had no property profession capable of giving overall advice, and although lawyers, tax advisers and others may give excellent counsel on individual matters their advice tends to be specific and has little regard to its effect on the investment as a whole."



Central area of Hamburg—office lettings show "remarkable strength"

...given continued economic upturn

RWI, one of West Germany's biggest property investment companies, forecast a return in the country's economy back in late 1982. It has seen the recovery take hold earlier and more strongly than expected.

Not only that, says Dr Oscar Klenze, managing director of RWI, "but also more importantly people have now started to believe that this is not a mere transitory situation." Forecasts of GNP growth and inflation of around 2½ per cent and between 3 and 4 per cent respectively back up what is a generally promising economic outlook.

RWI has seen this reflected in property, particularly in the investment and development markets, which it describes as "active." Open-ended funds have been very aggressive in the purchase of prime properties and have helped push up values in certain sectors of the investment market.

The company also notes a

slight strengthening of interest from overseas institutional investors compared with the previous two years when the "stronger attractions" of the U.S. real estate market drew foreign institutional buyers away from the Continent.

Notable sales

In overall terms, says RWI, British investors appear to have made a withdrawal last year when there were notable sales by UK funds in Hamburg and Stuttgart. "The Middle Eastern institutional investors appear to have lost interest," says Dr Klenze, "though smaller investors from the Gulf continue to play an active part."

RWI estimates investment yields in the order of 5 per cent for prime retail or mixed retail and office buildings, 5 to 5½ per cent for prime office buildings, and 5½ to 6½ per cent for other central locations. "Yields of 7½ to 9 per cent are required

to purchase modern and well-located warehouse and industrial properties," says the company.

The German property company puts Hamburg at the top of its list, with "remarkable strength" in the office letting market. "There remain very few sites to be built," says RWI, "and the strong planning and conservation policy has imposed restrictions on the total supply of offices in the Hamburg market."

If offices are the major talking point, retail property was the top performer as an investment. Competition has been reported very strong for any available prime unit in every major city, forcing up rents and the premiums outgoing tenants could command.

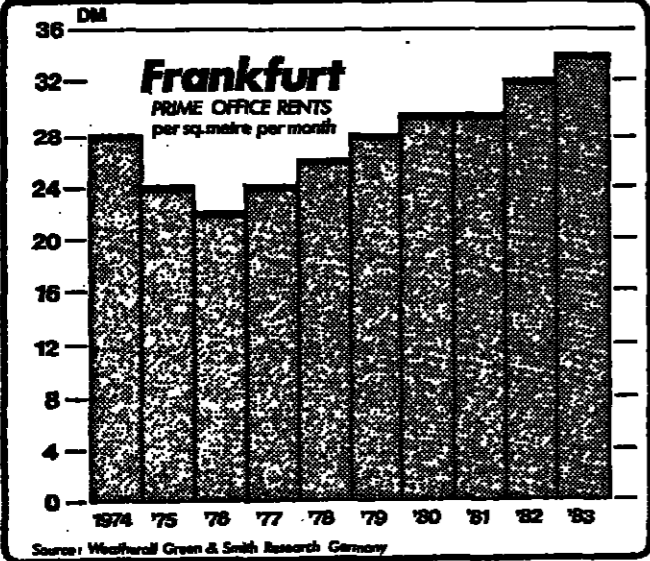
RWI does not quite go along with all of this. It has its reservations in Düsseldorf where, it says, "it remains to be seen what effect the projected shopping centre development of the K6 Centre (scheduled for com-

pletion in 1986) will have on prime rents in the midtown."

Of Cologne it says: "The previously excellent retail property market seems to have lost some of its sparkle, with an increasing number of sex shops, gaming halls and fast food shops opening in the previously prime pitches of Schildergasse and Hubs Strasse"—and ironic comparison, this, with Frankfurt, where there are plans to clean up the red light area near the Hauptbahnhof to make more space for prime shopping.

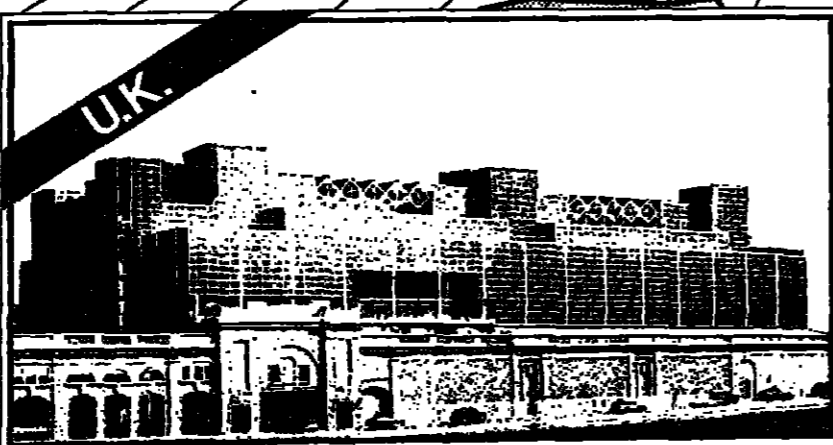
On the outlook Dr Klenze is confident: "The prospects for the property market have become considerably stronger and we might well be back to the times when the German property market, between 1971 and 1981, in real terms outperformed every market in Europe and even North America."

William Cochrane

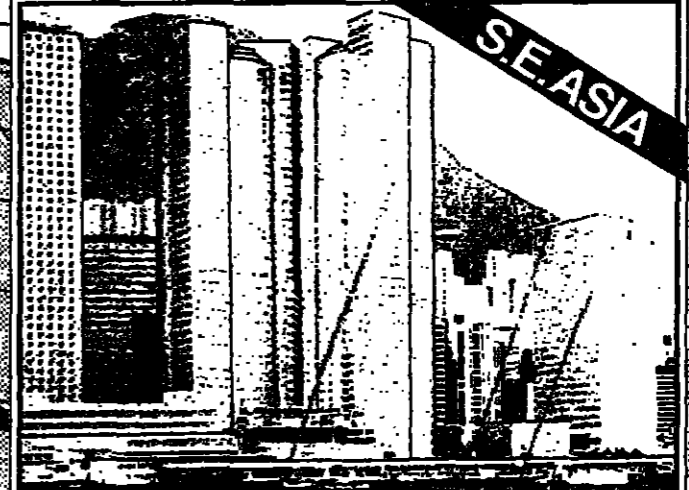


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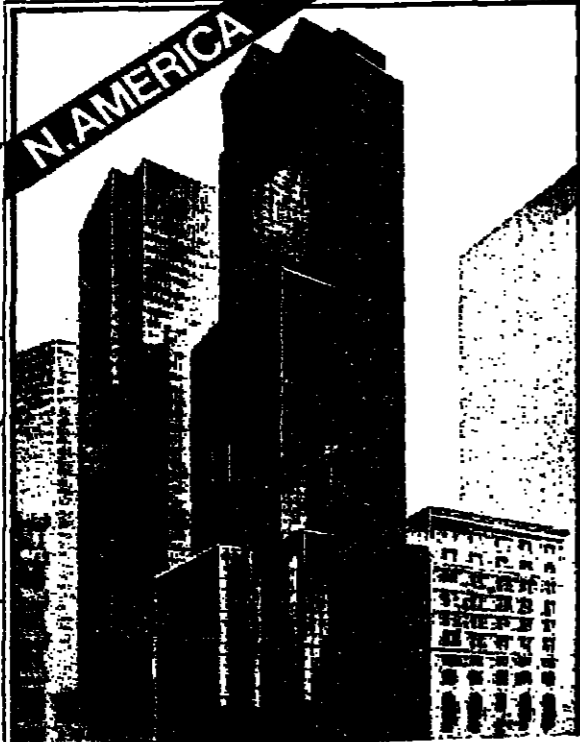
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Recession has left its mark

TRADITIONALLY, taking the long view is associated with wisdom of the mellow kind. In the Dutch property market it is the short cut to success. Those who hope for quick profits do still turn up triumph from time to time. Indeed there have been several examples in the past year of prestige blocks changing hands more than once in a single day, with middlemen making substantial sums along the way. But such mercurial goings-on are rare. The norm is far less dramatic.

Unfortunately, for those whose business is speculation, rapid turnover is main goal. Buildings that do not appreciate in value in the manner of flowers opening up in speeded-up film are not appreciated at all. They are in fact the wall-flowers of property.

Property prices in the Netherlands peaked around 1979-80. The Dutch economy, kept aloft by natural gas, survived the first Opec oil shock pretty well intact and the fallout from the second blast arrived later than in the U.S. and in most of Europe. But when the shock wave did arrive it did so with a vengeance. Losses of as much as 40 per cent were being reported by 1981 and mortgage rates soared to 13.5 per cent, far above the peak level of inflation. Mortgage banks and other lending institutions were under pressure from high interest rates generally and from the requirement to hold down borrowings.

Matters were made worse by the desire of many homeowners to sell up and thus avoid what they felt were punitive

levels of repayment. Controlled rents in the expansive Dutch public sector meant that those who managed to find municipal accommodation could afford to live rather better than was possible in homes of their own. Thus it was thought better to take losses early and retreat to the bosom of the state than risk greater losses later and the chance of no alternative.

In the office market the problem remains one of over-supply, especially in Amsterdam and The Hague. Utrecht has fared much better, partly because of its situation at the heart of Dutch rail and road communications but also because it was starting, as it were, from the ground up.

In Amsterdam, the once-proud Kalverstraat has become ever so slightly seedy, with bargain stores and fast-food outlets replacing the prestige shops of former times. There are still some fine businesses on the Kalverstraat but the focus of much of Amsterdam shopping has moved elsewhere — either to individual shops in lesser streets or to the suburban shopping malls.

The same pattern is repeated in the office sector. Even the great Dutch banks are ebbing out of the downtown area, with Amsterdam-Rotterdam Bank and the Nederlandsche Middestandsbank both moving out to the obscurity of the Bijlmermeer, a 1960s development of unsurpassed ugliness to the south east.

Amsterdam, a large and flourishing municipality immediately to the south of

Amsterdam, is meanwhile continuing to flourish, as seekers after the good-life, U.S.-style, demand more open space and gardens, with places of work nearby. Moreover, as the capital's suburbs and satellites pull white-collar and light manufacturing jobs increasingly unto themselves, Amsterdam itself is in danger. Even the splendid merchants' houses along the canal banks are slowly being deserted by business, leaving hundreds of

continuing slump in house prices has provided little relief on the homes front.

Yet all is not gloom. It has been said before—and no doubt will be said again by anxious dealers—but the worst does not appear to be over. The Dutch economy is on the move again and confidence is just beginning to show signs of a recovery. Mortgage rates are currently much more tolerable than two years ago. The Economic Institute for Small and Medium-sized Businesses disclosed this month that a strong growth in exports recently had produced a knock-on effect in construction. If demand for new buildings is on the increase, there must be hope for overall property.

The second half of this year is expected to provide the evidence of recovery, with prices firmer and demand on the mend. But five years of recession are bound to leave their mark and it will be quite some time before even those perennial optimists, the estate agents, can truly point to the return of happy days.

Property financing during the past 12 months has suffered badly from the property implosion. Westland-Utrecht Hypotheekbank, the largest purpose-built Dutch mortgage bank, was obliged the spring to reduce its property portfolio by Fl 800m and its property financing by Fl 16m. A clutch of ventures was sold off to the Nederlandse Hypotheekbank, a Dutch insurer, which, along with ABP, the pension fund giant, had already

launched the lifeboat twice before.

Today, though, the slimmed-down Westland-Utrecht is beginning to bounce back and is once more a force in the mortgage bonds market. Buyers are creeping back to the market too and prices, while remaining far below their old levels, are at least advancing.

Amfas, the fifth largest insurance group, is another venture with a sick property division that has been rescued by Nat-Ned. Amfas lost Fl 65m in 1982 and 1983, with much of the problem stemming from a bloated property portfolio. Elsewhere even mighty ABP, the civil service pension fund, with assets in excess of Fl 100bn, has felt the draught. In its case, however, an apparent anxiety to do well in spite of everything led to several unwise dealings. The Public Prosecutors' office stepped in and there have been very prominent dismissals. ABP is lying low for a while.

Many individuals in the Netherlands have suffered from the collapse in the property market and it is not surprising that mortgage banks have endured one of the worst periods in their history. But those who could afford to sit back and wait, even when the market was at a long one, stand to gain in the future. The recovery today is fitful and perhaps less obvious than it seems to the estate agents whose business depends on what the market is doing. It is beginning. Patience may yet claim its reward.

The Netherlands

WALTER ELLIS

potential homes behind but at prices few can afford. The problem is being tackled and there are pockets of downtown resistance. Centrifugal force, however, is difficult to resist.

The Hague—a gracious city, albeit without the glories of Amsterdam—has more in its favour. The seat of Government, home of Parliament and of the Dutch Royal Family, it is very much the smart place to live and its densely wooded suburbs, replete with mini-chateaux, are vivid testimony to its success. Here too, however, over-supply in the office market has created difficulties for the property industry.

More generally, the rash of company bankruptcies in the Netherlands has meant a glut of small and medium-sized commercial properties, while the

Revival underway but uneven

MOST PROPERTY markets in the United States are now showing signs of recovery, on the back of the country's recent strong economic performance.

Absorption of most types of floorspace is rising rather than falling, rents in some centres are again starting to grow and investment interest seems increasingly strong.

But the improvement, which first began to show itself last year and has gathered momentum in the first half of 1984, is not yet evenly spread. While New York looks buoyant, Chicago is still struggling off a damaging space surplus. While Los Angeles gathers steam, Houston is hardly back on the rails.

In the past, fairly uniform conditions prevailed throughout most of the major U.S. property centres. But during the last recession and in the current revival market performances have differed widely. With general prospects now quickly improving the process of recovery will vary between locations.

Local experiences have depended not just on the state of the respective regional economy but also on the extent to which developers and investors allowed themselves to lose touch with the market. Severe overbuilding will prolong the revival in several major cities, while the prospects for rapid space shortages and rising rents are already apparent in some other centres.

Generalisations are risky in any analysis of a property market which embraces no fewer than 35 urban areas with a population exceeding 1m, but the overall view is that the U.S. office market has become much more competitive in the last few months.

Tenant interest has recently shown clear signs of improvement, although higher letting activity has generally failed to provoke any widespread increases in rents. But, in an important step on the road to recovery, many of the huge concessions available for occupiers have been reduced or withdrawn altogether.

In its latest review of the U.S. market, Jones Lang Wootton highlights the decline of rental concessions: "This is a change from the position only a year or so ago, when there was a tenant's market for leasing deals."

United States

MICHAEL CASSELL

on the average previously recorded.

Although demand for office space rose last year — with major U.S. corporations, financial services groups and insurance companies taking the lead — the stock of empty floorspace remained high, supported by the new accommodation completed and put on the market.

By the end of last year the national office vacancy rate stood at about 11 per cent.

Coldwell Banker, the U.S. real estate broker, support the view that office markets are perking up and believes that the present oversupply will be alleviated in most major centres without widespread problems. The brokers make the point that the oversupply was created more by excessive construction than lower levels of absorption.

According to Coldwell Banker, speculative office completions during 1983 pushed another 45m sq ft of floorspace on to the nation's major downtown office markets. When combined with the 84m sq ft of space to let completed in the previous two years, the U.S. inventory of downtown office space grew by 26 per cent in the preceding four-year period.

While most downtown centres now have vacancy rates well above the normally accepted 5 per cent level, there are several notable exceptions. In downtown Boston and downtown Manhattan there are vacancy levels below the 5 per cent norm, while centres such as Cincinnati, midtown Manhattan, San Francisco and Minneapolis St Paul have been running only marginally above.

At the other end of the scale, cities like Houston, Denver and Phoenix were until recently returning vacancy levels of over 30 per cent.

Coldwell Banker reckons that demand for office space, rising in the first half of the year, will continue to do so throughout the remainder of 1984. But with new building completions helping to maintain high vacancy levels, the brokers see rental rates in most cities staying flat or achieving only marginal increases.

In strong centres, such as New York, Boston, Philadelphia, San Francisco and Los Angeles, rent rises could reach 10 per cent.

The steadily improving outlook extends to the retail property sector, where the increase in consumer spending helped bring the U.S. recession to an end. Vacancy rates in regional shopping malls and major urban retailing centres have

gradually declined over recent months, although rents have generally remained stable.

Not surprisingly, the industrial property sector came under pressure at a time when the economy was looking weak. But the national vacancy rate for industrial accommodation has not risen much above 5 per cent since the start of 1982 and demand for space has been steadily improving since last year.

Jones Lang Wootton says that rents in most locations across the U.S. have actually risen over the past 12 months, with high-technology, warehousing and distribution properties recording the largest gains.

At a time when it is becoming increasingly difficult to define modern industrial property and relate it to the traditional image of factory space, J.L.W. estimates that almost 40 per cent of the space provided in new industrial parks is designated for office use, compared with only 15 per cent in the late 1970s.

More and more U.S. companies are now locating their executive and administrative offices close to their factories and distribution centres.

Marked increase

According to J.L.W. there are 146m sq ft of warehousing and distribution space and just over 105m sq ft of industrial manufacturing accommodation under construction in the U.S. — a marked increase on the levels recorded over the past four years.

Coldwell Banker expects rental increases of between 10 per cent and 15 per cent for "hightech" accommodation this year, with warehousing rents in some locations rising by up to 20 per cent in the strongest markets.

Taking the real estate investment market overall, the economic revival has re-awakened investment interest in many types of property. With the institutions, the savings and loan associations and the syndicates all showing renewed enthusiasm for the sector, the supply of product — rather than finance — would appear to be the main impediment.

According to Julien Studley, the nationwide brokers, potential investors will be hard-pressed to locate prime buying opportunities and to beat the competition to the door. As to prime office space, the brokers say that such formerly common yields as 7-8 per cent have vanished and, in many cases, immediate returns are non-existent.

Studley says that new development, along with some types of secondary property, still offer good opportunities for foreign investors, though the brokers emphasise that the successful foreign investor has rarely managed to do it from a distance.

In Manhattan, about eight British quoted companies are currently involved in real estate development projects and all would agree on the need for senior management to be on the spot.

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Concessions

"Base rents held steady, but in many markets there was effective a fall of 15-25 per cent in the total rent as a result of concessions offered to tenants, such as several months free from rent and reductions in expense escalation clauses."

Jones Lang Wootton says the U.S. market's recent bout of ill-health is not hard to understand. Demand for office space at the start of the 1980s was up to 20 per cent above the historic average and the real estate industry responded with a burst of new construction.

By the end of 1982, however, the picture had changed: while demand softened, the volume of new office space becoming available represented a big increase

Shadow of higher interest rates

from the 162,000 achieved in 1983.

Most property experts are still confident that the gradual recovery in the market will not be threatened unless Canadian banks' prime lending rate, at present at 12 per cent moves above 13 to 14 per cent, which seems unlikely at this stage.

Mr Chris Davis, president of the commercial division of A. E. LePage, Canada's largest property services company, forecasts a stable environment for the next year or so, with the market for developers, the construction industry and brokers remaining strongly competitive.

Thanks to a sharp rise in consumer spending over the past year shopping centres are currently the star performers of the Canadian property market. According to Mr Ira Gluskin, property analyst at Brown, Baldwin and Nisker, a firm of Toronto investment dealers, "the shopping centre business is very good and not about to change."

Rates at suburban shopping malls in Vancouver range between C\$25 and C\$35 a sq ft and very little space is available. The buoyancy of the market is reflected in several large transactions recently. Daon Development Corporation, the troubled Vancouver-based group, has managed to sell its stake in three big Alberta

shopping malls for C\$240m, while a Hong Kong investor recently paid C\$86m for Lansdown Park, the largest shopping plaza in British Columbia.

Shopping mall

A number of projects are in the pipeline. Among the largest is a C\$200m shopping mall plus town hall and offices in Downtown Montreal being developed by Cadillac Fairview. One area of expansion is expected to be funfair-type amenities attached to shopping centres. Roller coasters and Ferris wheels are incorporated in the design of a new mall in Edmonton, while a shopping centre in Brampton, Ontario, close to Toronto, will include a large waterpark.

The buoyancy of the shopping

centre market, traditionally one of the first beneficiaries of an economic upturn, has not yet filtered through to the office sector. Mr Harry Rannala, property analyst at Merrill Lynch Canada, observes that the office market is "somewhere between a happy medium and a giveaway market."

The brightest spot is Toronto, where Toronto-Dominion Bank is currently adding a fourth tower to the large T.D. centre and Bank of Nova Scotia is about to start construction of its new 68-storey head office at a cost of C\$300m. Campeau Corp is the developer of the Scotia Plaza project.

Toronto-Dominion is expected to have little trouble finding tenants for its new block. Many

Canada

BERNARD SIMON

CANADA'S property market is slowly regaining its balance after the punishing blows of the past two years. Parts of downtown Toronto are again dotted by cranes and builders' scaffolding and a number of ambitious new developments are on the drawing boards. In Vancouver some 15 office projects are at various stages of construction. Even in Calgary, where the residential market is still flooded with foreclosures, a local developer bravely went ahead this month with the first stage of a C\$1.1bn housing project designed for completion towards the end of the century.

The problems are by no means over, however, Canada's economic recovery is much less robust than that in the U.S. and a recent rise in interest rates — mortgage rates have crept up by as much as 1.5 percentage points so far this year — has raised doubts on how strong the upturn in the property market will be. Forecasts of 1984 housing starts have steadily been scaled down. Clayton Research Associates of Toronto now estimates that housing starts this year will total 164,000, little changed

Canada

BERNARD SIMON

from the 162,000 achieved in 1983.

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Canada

BERNARD SIMON

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Mr Chris Davis, president of the commercial division of A. E. LePage, Canada's largest property services company, forecasts a stable environment for the next year or so, with the market for developers, the construction industry and brokers remaining strongly competitive.

Thanks to a sharp rise in consumer spending over the past year shopping centres are currently the star performers of the Canadian property market. According to Mr Ira Gluskin, property analyst at Brown, Baldwin and Nisker, a firm of Toronto investment dealers, "the shopping centre business is very good and not about to change."

Rates at suburban shopping malls in Vancouver range between C\$25 and C\$35 a sq ft and very little space is available. The buoyancy of the market is reflected in several large transactions recently. Daon Development Corporation, the troubled Vancouver-based group, has managed to sell its stake in three big Alberta

Supply and demand roughly in balance

Belgium

PAUL CHEESERIGHT

CONFIDENCE has crept back into the Brussels commercial property market and, with supply and demand roughly in balance, the dog days of the mid-1970s linger only as a bad memory.

The main criterion used by estate agents for the office market is the vacancy rate and the major companies now agree that this has fallen to 4 per cent from about 7 per cent two years ago. Mr David Bouch, the investment partner at Jones Lang Wootton in Brussels, noted that this was low.

A couple of years ago 7 per cent was quite normal in Europe, he said. Now the 4

per cent needs to be compared with the two extremes of Houston, Texas, with 24 per cent and Tokyo with 0.2 per cent.

In international terms Brussels is the only Belgian market of significance. The take-up of office space in Antwerp is only 30 per cent of that in Brussels, according to Mr Jean Claude Vandecasteele, the managing partner of Knight Frank and Rutley in Brussels.

The market in Antwerp is in any case much more directed towards the port and light industrial property, he added. The latter is active but if two large office blocks were built in the city that could create over-supply for some time.

By contrast, there is at present little activity of any type in Liege, the main industrial town of southern Belgium. But the decision to set up the headquarters of the Walloon regional executive in Namur has

created some market interest there.

In Brussels a two-tier market has effectively developed for office accommodation. There is now a real shortage of medium and large properties, but for those seeking small office space of, say, around 200 metres, then there is space available.

Since 20,000 sq metres of space was let at the Manhattan Central, in the middle of the city, there has been very little property available over 10,000 sq metres.

This position might change if older properties become available for refurbishment but the general economic climate is sufficient to deter developers from willingly meeting the heavy costs involved. That in turn depends on the likely return.

Certainly rents have been edging higher. "After all the years of tremendous over-supply, the bottom of the pit

was touched in 1977," said Mr Bouch. "In the last two years, there has been a 10-15 per cent annual rental growth a year." This growth is partly a catch-up for the static period.

But major new developments are few and far between and this is a likely reason for further rent increases. "It is predicted that contracted rents, when increasing, will do so significantly and will for the first time in 10 years exceed the curve of existing indexed rents," said Mr Vandecasteele.

Negotiated price

For prime office space in large units, rents have reached Bfr 2,000 a sq metre and in isolated contracts there have been signs on BFRs 4,500. With buildings built a decade ago and perhaps older there is more chance of negotiating a price because new tenants are examining very closely the facilities available in the shape of the space on offer.

This is not only a question of convenience but also of costs. Service and heating charges, for example, are a significant component of the total package. In the 1970s these were some 10 times paying Bfr 1,000 a sq metre for services but in new efficient buildings this figure is now down to around Bfr 600.

It seems unlikely, though, that the supply of new efficient buildings will increase markedly. Although the Belgian Government is anxious to get the construction industry moving again and has announced tax concessions with that end in view, few expect a return to the conditions of the early 1970s when speculative building was at a very high level.

Agents report that while developers might be prepared to clear sites they are not ready to start building. At the same time planning permissions are more difficult to come by as the authorities seek to avoid the excesses of 10 years ago. Permissions are now taking two years to come through instead of the three months of 1972.

There is also some doubt as to whether rents are high enough to stimulate more building. It is true that companies like Cofic, the Belgian unit of Espley Tyas, and Compagnie Immobiliere Goldberg have in recent years undertaken speculative developments which they have found possible to sell quickly. This has been done against the backgrounds of rent said to be around Bfr 3500 a square metre.

But both companies are believed to have succeeded in keeping their costs down only by keeping contractors on a very tight rein.

However, suggested Mr Bouch, where a reasonable price is paid for land and the contractors are able to breathe, then rentals of Bfr 5000-6000 are necessary to prompt a revival of interest in speculative building.

Mr Vandecasteele points out, moreover, that where a development company has a Belgian operation there are substantial savings to be made by using the tax system to save the payment

Canada

BERNARD SIMON

of value added tax, thereby reducing costs. But this year only be done by selling the building straightaway after completion so that the VAT is paid by the final investor.

The fact that UK developers who have traditionally been active on the Belgian market have tended to construct and then hold on to the building in the hope of capital gain. It is a difference of style.

Notwithstanding the immediate difficulties, investors and developers have started again to look at the office market in the expectation that steady demand will overtake the diminishing supply. Annual turnover has been steady at around 1m-1.5m sq ft.

Nevertheless, potential investors have been showing more interest in the office sector of the market than at industrial properties where new construction in the Brussels area have been let rapidly.

Knight Frank and Rutley have reported top rents of Bfr 2,000-3,000 for offices and warehouses on industrial properties and noted that "compared with site and construction costs, the rental levels have been rising even more steadily than those of the office market."

Underneath the figures, however, trends seem to be emerging which revive hopes that Brussels might retain the ground it lost in the late 1970s as a company centre. "Brussels is becoming more attractive because of corporate and individual tax breaks," observed Jones Lang Wootton.

Canada

BERNARD SIMON

CANADA'S property market is slowly regaining its balance after the punishing blows of the past two years. Parts of downtown Toronto are again dotted by cranes and builders' scaffolding and a number of ambitious new developments are on the drawing boards. In Vancouver some 15 office projects are at various stages of construction. Even in Calgary, where the residential market is still flooded with foreclosures, a local developer bravely went ahead this month with the first stage of a C\$1.1bn housing project designed for completion towards the end of the century.

The problems are by no means over, however, Canada's economic recovery is much less robust than that in the U.S. and a recent rise in interest rates — mortgage rates have crept up by as much as 1.5 percentage points so far this year — has raised doubts on how strong the upturn in the property market will be. Forecasts of 1984 housing starts have steadily been scaled down. Clayton Research Associates of Toronto now estimates that housing starts this year will total 164,000, little changed

Canada

BERNARD SIMON

from the 162,000 achieved in 1983.

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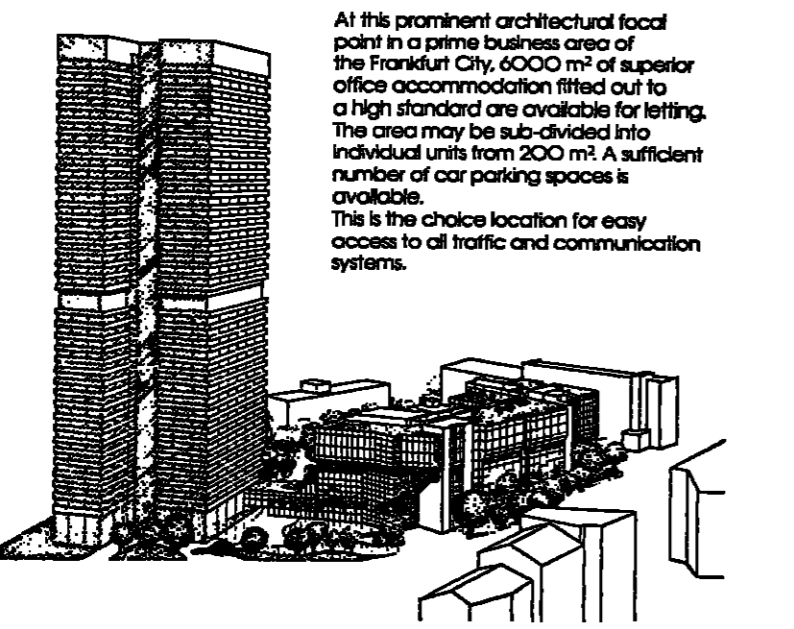
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Sober legacy of the market collapse

IN HONG KONG the property market has very little further to fall, according to local property analysts in both the Government and private business.

Some have begun to talk of recovery, but it is likely to take a long time, and it is almost certain that the property slump of the past 18 months will leave the market permanently changed.

Officials in the Hong Kong Government Ratings and Valuation Department report that property developers have recently dug their heels in against further cuts in price. Rather than trim nominal rents, they prefer to offer rent-free periods of up to six months and assistance with fitting out office accommodation.

The department also reports that purchases of prime property have come to a grinding halt since Sir Geoffrey Howe, the Foreign Secretary, confirmed in April that Britain will have no part in the territory's administration after 1997. Hong Kong is about to return to being a rental market.

Two factors are likely to keep Hong Kong's property market in the doldrums for the foreseeable future: political uncertainty about what will happen when Britain's lease on part of the territory runs out in 1997, and still-serious oversupply in the more exclusive and expensive sectors of the residential and commercial market.

Political uncertainty is affecting the market at several levels. Even in the residential sector, which has remained buoyant throughout the slump of the past 18 months, estate agents report that interest in buying property has vanished.

People with enough savings to make the market at several levels. Even in the residential sector, which has remained buoyant throughout the slump of the past 18 months, estate agents report that interest in buying property has vanished.

just 300,000 sq ft available. Mr Patterson forecast that the balance of supply and demand will be thrown completely out of equilibrium next year, when about 1.5m sq ft will become available.

This volume of commercial property coming on to the market is due largely to just two developments: Hong Kong Exchange Square, bravely described by the colony's largest property company as "the future

Hong Kong

DAVID DODWELL

hub of Asia's business world," and the controversially expensive Hongkong and Shanghai Banking Corporation headquarters.

It is unlikely that these two buildings will be empty for long, though firm leases for space in Exchange Square have been slow in coming. This is because prospective tenants of Exchange Square are being offered—on what are likely to be very favourable terms—space in a building that will almost certainly be one of the most magnificent in Asia.

As to Hongkong and Shanghai Banking's building, it is almost certain that the bank itself will fill the building (with lifts stopping only at every fifth floor, there is a disinclination for outside concerns to take space).

Bank staff now working in outlying buildings will be moved into the new headquarters building.

The effect of these developments is nonetheless clear. Older secondary tenants of properties in the central area will face acute problems as their own tenants leave for new offices in Exchange Square or the Hongkong Bank headquarters.

Problems will be aggravated by the fact that the Government, which in the recent past has been a substantial renter of property in the central area, will over the next two years, be moving into new purpose-built accommodation.

Hong Kong Land, which accounts for about 60 per cent of the office space in the central area and has been seriously hit by the property crash, admits to a current vacancy rate of about 8 per cent. The rating agency's Department in its property review for 1984, released early in May, reported that the overall vacancy rate in the central area was 13.2 per cent.

Those companies accounting for the remaining 40 per cent are therefore carrying a much larger vacancy problem, and in the year ahead it can only get worse.

Hong Kong Land, which has more reasons than most to talk optimistically, put forward two reasons why the depressive in-

fluence of oversupply and political uncertainty might be allayed.

First, industry is still thriving in Hong Kong, with exports up more than 50 per cent in value over the last 12 months. If this strong growth continues many commercial operations are likely to expand, with an inevitable knock-on effect in the property sector.

Second, property prices have reached such a low ebb that Hong Kong is now cheaper than either Tokyo or Singapore as a place for office headquarters.

In a report produced in conjunction with Jones Lang Wootton, Richard Ellis and HK Hall Associates, Hong Kong Land says that prime office space in the central area now averages HK\$ 22.85 per sq ft per month—compared with HK\$ 30.78 in Tokyo, HK\$ 27.8 in Singapore, HK\$ 32.35 in New York and HK\$ 47.40 in London.

Since price is likely to be a less important factor in decisions over the establishment of an Asian headquarters office than the question of Hong Kong's political future after 1997, it is unclear whether the force of Hong Kong Land's argument will be strongly felt.

One organisation which has taken a positive move is the Bank of America, which announced on May 15 that it plans to set up a 95,000 sq ft computer centre to handle all data from the northern part of its Asian Division, covering Taiwan, Japan and South Korea.

The computer centre, part of a worldwide International Banking System (IBS) intended to standardise Bank of America's computing procedures across the world, will involve investment of US\$60m in Hong Kong alone.

For companies like Hong Kong Land, which came perilously close to collapse when the property slump was at its worst, the prospects are now much less gloomy. Cash flow is now financing the interest on its debt, and bank backing has been won for what remains of its development programme. But the list of projects now shelved is long, and it is likely to be 1986 before shareholders can expect a resumption of dividends.

The outlook is less gloomy largely because the market has begun to stabilise. Prices may be between 35 per cent and 50 per cent lower than those prevailing two years ago, but at least they have begun to level off and seem unlikely to tumble further.

Hong Kong's property developers—those that have survived—are now a soberer group of people than they were three years ago. They may have differing views of how the market will develop, but on one thing they are agreed—the giddy speculative days of the late 1970s are unlikely ever to return. Property is no longer a speculator's investment.

Furthermore, constraints on unlimited expansion imposed by topography are likely to keep prices up in the Vancouver area. Mr Davis forecasts that long-term prospects for the Vancouver property market are "very, very positive."

Such distant hopes are of little immediate relevance, however, to some of Canada's property companies, which are still struggling to pull themselves back from the precipice they have been looking down for the past year or two.

Doan Development recently tied up a debt refinancing package and has succeeded in selling off many of its least productive properties. The sale of the three Alberta shopping centres will allow it to repay some C\$120m of its massive C\$1.4bn debt burden.

Some of eastern Canada's large developers have been even more successful in restoring their balance sheets, to the point where several investment analysts are recommending the purchase of shares in companies such as Trizec, Cadillac Fairview and Campeau.

Campeau and Cadillac Fairview are both getting rid of their residential portfolios. The latter has already sold over three-quarters of the assets of its discontinued operations and has cut its floating rate debt from C\$1.6bn to little more than C\$300m. Campeau's sales of housing and land assets, about one-third complete, is likely to continue for another four years.

None the less, hopes remain high that the clouds will soon break, even in the depressed part of the country. "If I was an office tenant, I would be saying that this is the low point in rents across the country."

Evidence of increasing stability

IF EVER an economy has turned round sharply, it is Australia's. In the past 15 months there has been a firm recovery.

At the start of last year there was drought and recession. The farmers were desperate and industry badly shaken. The currency was weak, investment was sagging, and unemployment rising.

Coinciding with the election 15 months ago of Mr Bob Hawke's Labor Government recovery set in. Drought-breaking rains produced near-record winter crops that have pumped millions into the economy and restored morale in the bush.

Inflation is temporarily curbed and the unions are under control. Profits have recovered, and with finance and banking now substantially deregulated there is a widespread feeling that life under Labor may not be so bad.

The black spots remain unemployment and fixed capital investment. Yet the new optimism has rubbed off on the property market, with leading firms such as Jones Lang Wootton and Richard Ellis reporting increased sales to investors. Yield rates in almost all sectors—if not in all state capitals—are stronger than they were three or four years ago.

One observer said: "What we're especially seeing is

institutional interest for tower-style buildings in city centres, particularly from those with A\$50m to A\$40m-plus to invest."

In both Sydney and Melbourne, says Richard Ellis, a shortage of high-quality office accommodation is emerging alongside a surplus of poor-quality secondary space, though the implications cannot properly be evaluated.

At the same time the market has seldom been more sensitive to product mix and location, with quality and financial costs also of the greatest interest.

A market of two, three and even four tiers is developing in many Australian cities, and the evaluation of demand for a particular quality of space, in a particular location, will become much more specific. Reliance on historic demand alone is certainly not proving enough in the emerging markets of Perth and Brisbane, for example.

Prime capital business district rents in Sydney, Melbourne, Canberra and Brisbane have continued to climb quite sharply (as they have in Adelaide, to a lesser degree), with newcomers vying for limited space. The trend will probably continue.

Earlier this year both Sydney and Melbourne advanced their claims to be regarded as fit for development into offshore banking centres, and indeed into major regional financial centres

in this part of the world. It may or may not come to anything, but it has whetted appetites and sharpened curiosity in the property market.

There is plenty of building activity, with major projects either under way or planned, such as Lond Luana's Riverside project on the Brisbane waterfront, Sydney's A\$340m Grosvenor House project, and the Rioho venture in Melbourne.

But investors and new arrivals are warned to be wary of secondary city areas, partly

because of the trend towards decentralisation. This is now affecting prospects in North Sydney, for example, where advertising agencies, engineering concerns and resource and exploration companies are either moving out to suburban centres such as Bankstown or Parramatta or contemplating it.

In late 1982, the value of blue-chip office space in the central business area of Sydney was estimated by Jones Lang Wootton at about A\$320 (US\$288) per sq metre annually, though some rent reviews had seen some city

rents agreed at levels as high as A\$355 per sq metre annually. Richard Ellis now says it can be predicted that top-quality space will fetch rents of A\$400 per sq metre annually, though it adds that future annual take-up in central Sydney will need to be at the rate of only 70,000 sq metres per annum, to mop-up new space, compared with an average annual take-up of about 126,000 sq metres over the past decade.

Melbourne's office market is currently well-balanced, with prime rents expected to pass the A\$300 per sq metre mark in 1984. In Brisbane, there is an over-supply which is likely to continue into next year. In Perth there is also an over-supply, and prime office rents are unlikely to rise beyond about A\$170 per sq metre annually for some time.

Over the next three years, 120,000 sq metres of additional office space is due to become available in Perth. On the other hand, the Western Australian capital's annual absorption rate has been about 45,000 sq metres annually for the past 14 years.

In Adelaide there has been a lack of speculative development so that supply and demand are balanced. Rents for prime office accommodation there are expected to grow only moderately above the current level of A\$125 per sq metre annually.

In terms of yields, Jones Lang

Wootton's latest estimates for prime office space were as follows: Sydney 6.5 to 7.5 per cent; Melbourne the same; Adelaide, 6.5 to 8 per cent; Brisbane 7 to 7.5 per cent; and Perth 6 to 7 per cent. North Sydney was shown at 7 to 8.5 per cent.

On the retail side the next 12 months are likely to see fairly uniform trends and it is generally believed that Australian suburbs are now over-shopped.

On the industrial front, the advance of high technology will provide some of the most interesting developments, with computer, electronics and service companies planning to cluster together on modern estates.

In summary, Richard Ellis says the current mood in the Australian property market is one of cautious optimism, even though institutions have generally been seen as net sellers over the past 12 months.

Increasing evidence of stability in the market, Ellis says, is creating interest in prime property, both from institutions and private buyers, with unit trusts the most active purchasers of high-priced property.

Politically and economically there seem to be no problems looming in the short to medium term which will disturb that optimistic view.

Australia

MICHAEL THOMPSON-NOEL

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Singapore

CHRIS SHERWELL

will become available. According to Jones Lang Wootton, a total of 1,075m sq metres, some of which is already committed, is actually scheduled for completion between 1984 and 1988.

In this situation it is difficult to see office-based projects like the 37-storey twin-tower Gateway, located just outside the central business district, faring well when they come on to the market in the same period. This could present a problem for the island state's most prestigious developer, Singapore Land, which has a 60 per cent share in the scheme.

Singapore Land is also involved along with local banks in the massive S\$1.2bn Marina Square project, consisting of three hotels and the region's largest shopping mall on reclaimed land at the mouth of the Singapore River, near the central business district. This, together with the huge Raffles City project nearby, which consists of a hotel, shopping and office complex, will shortly boost Singapore's retail and hotel space supply still further.

In these sectors, as in the office space market, the outlook is far from encouraging. The number of hotel rooms in Singapore is projected to be more than doubled by 1987 from the end-1982 figure of 14,100 rooms. But projections of 10 per cent annual growth in tourist numbers to Singapore, on which some of the hotel plans were based, have not been borne out, with the result that occupancy rates are falling and room rates are being heavily discounted.

A similar shortage of customers has afflicted Singapore's retailers. Some of the country's best-known stores are reporting losses, occupancy rates at shopping complexes are falling, tenants who face trouble making a living have won rent reductions through public protests

Gloom replaces boom as values stagnate

THE cyclical pattern of our construction, if the world economy picks up... the oversupply may turn into a shortage by the late 1980s.

The scale of the drop in the office business district, as gauged from the fact that rents in the 43-storey Chartered Bank building, the newest prime location space on the market, began last year at around S\$7 per square foot a month and are now down to S\$5, a fall of around 30 per cent. About two-thirds of the building is now leased.

According to estate agents Jones Lang Wootton, average rents for office space in Singapore—covering both the central business district and secondary locations—fell by 6 per cent between the last quarter of 1983 and the first quarter of this year alone and this has in turn generated more interest in the rental market.

Certainly the position of the lessee is better than in 1981, when price was the only consideration and it was difficult to find any space to rent below S\$8 in the central business district. Now there is a choice; moreover, things are going to stay that way.

Bank skyscrapers

This is because there are several major and numerous minor developments in the area coming on the market over the next three years—previous years. The major developments include the new Monetary Authority and Treasury building at one end of the business district and two new bank skyscrapers for Overseas Bank and United Overseas Bank at the other.

Total supply of office space by October 1983, according to official figures, was 1.7m sq metres. By 1988 another 715,000 sq metres—a rise of 42 per cent

—will become available. According to Jones Lang Wootton, a total of 1,075m sq metres, some of which is already committed, is actually scheduled for completion between 1984 and 1988.

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of them are likely to be existing tenants in other parts of the T-D centre eager to expand or rationalise their space. Similarly, almost all the space in almost-completed 260,000 sq ft Convention Centre office tower has been let. According to A. E. Lepage, "Overall, there are no reasons for concern. It appears that this year's absorption will exceed the new supply," estimated at approximately 3m sq ft.

The picture is less rosy in other cities. More than one-fifth of Calgary's office space remains vacant, while some 4m sq ft, about 14 per cent of the total, is available in Montreal. Developers are still actively inducing tenants to upgrade accommodation by shaving rentals and offering various perks.

Construction of office blocks has dried up completely in Newfoundland, where business activity is still at a low ebb. Authorities in the province's capital, St John's, have offered to donate land worth C\$1m for development of a hotel and convention centre in the city. The Newfoundland Government may make a similar amount available towards construction costs to help get the project off the ground.

None the less, hopes remain high that the clouds will soon break, even in the depressed part of the country. "If I was an office tenant, I would be saying that this is the low point in rents across the country."

rents in new space are falling regularly. But still more complexes are rising from the ground and official figures project an increase of 473,000 sq metres—almost 70 per cent—of shopping space in the central area alone between 1983 and 1988.

So serious is the problem of oversupply that questions are being asked about another mammoth development, the RahaRaja Centre, located right next to Marina Square and near Raffles City. Mr Hendra RahaRaja, the Indonesian magnate, has already won a delay from the Government, apparently to allow technical changes to the plans, but speculation abounds that the problems are more serious. Hendra has another four hotels going up in Singapore, while a fifth opened earlier this year.

Punitive tax

The problems of Singapore's hoteliers and retailers spring partly from the West's recession, which has hurt tourist arrivals, and to a punitive U.S. 150 per cent exit tax on Indonesian residents travelling abroad, which has particularly damaged because Indonesians have long found Singapore an attractive place to bank, shop and invest.

On top of this the Singapore dollar has been strengthening against major currencies, making the island state an even less attractive place to stay or shop—especially for Indonesians whose currency was devalued last year—and enhancing the position of Hong Kong, whose experience has been an even less attractive place to stay or shop.

But the gloom hanging over Singapore's property market has other and deeper origins. One is the willingness of property developers to climb irrationally to handwagons almost regardless of the facts, happily exploiting the proverbial Chinese preference for investment in bricks and mortar. Asso-

ciated with this is the willingness of bankers to lend to such developers. It is no coincidence that the financial services sector was the second largest contributor (after construction) to Singapore's high 7.9 per cent GDP growth last year.

A more significant factor is the role of the Government, and specifically the Urban Redevelopment Authority, the public agency which can acquire land at the prices of a decade ago, offer it at special sales and penalise developers if work goes ahead too slowly.

This official stranglehold over the market distinguishes Singapore from the free Hong Kong market. But deciding where responsibility lies for the present glut is another matter. The URA is said to have overcompensated disastrously for the space shortage of the late 1970s with sales in 1978-80 which dwarfed earlier offerings. But in 1981 and 1982, when the signs of future excess ought already to have been apparent, bids were still strong, suggesting sentiment remained firm. The 1983 sale was simply cancelled.

Developers and bankers now face an awkward choice between pushing projects quickly to completion and stretching the construction period to ride out the glut. The medium-term outlook seems more promising—in 1983, for the first time in years, the value of building projects granted planning approval actually dropped.

But a glance at the city centre is still revealing: 255 hectares of reclaimed land next to Marina South—is earmarked for office and residential development. Reclamation work for Marina East, on the other side of Marina Centre's commercial development, is still going ahead. All this space is yet to be sold.

Higher interest rates

CONTINUED FROM PREVIOUS PAGE

of them are likely to be existing tenants in other parts of the T-D centre eager to expand or rationalise their space. Similarly, almost all the space in almost-completed 260,000 sq ft Convention Centre office tower has been let. According to A. E. Lepage, "Overall, there are no reasons for concern. It appears that this year's absorption will exceed the new supply," estimated at approximately 3m sq ft.

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None the less, hopes remain high that the clouds will soon break, even in the depressed part of the country. "If I was an office tenant, I would be saying that this is the low point in rents across the country."

Even in those cities where the office market remains flat vacancy rates are declining and efforts by landlords to talk tenants into prime buildings have concentrated the spare capacity in older, less prestigious locations.

The chances of a shortage of space developing have been lessened by the apparent determination of developers not to miss the upswing, which must expect to continue for several more years. Ottawa is a good example. Just as it appeared that the supply of office space in the city centre was drying up, several developers have begun new projects which are likely to keep rents on an even keel. Marlborough Properties is currently erecting a 14-storey building opposite the Parliament buildings which will add about 157,000 sq ft to available capacity.

Vancouver is one exception to the picture of overall stability. Despite plentiful availability, a spurt of activity has raised office rents to the second highest on average in the country and pushed land prices up sharply. Far Eastern investors, mainly from Japan, Singapore and Hong Kong, have become increasingly active in the West Coast property market. The Lansdowne Park shopping centre is one of several sizeable properties sold to investors from the western side of the Pacific in recent months. Others have included office blocks and hotels.


Furthermore, constraints on unlimited expansion imposed by topography are likely to keep prices up in the Vancouver area. Mr Davis forecasts that long-term prospects for the Vancouver property market are "very, very positive."

Such distant hopes are of little immediate relevance, however, to some of Canada's property companies, which are still struggling to pull themselves back from the precipice they have been looking down for the past year or two.

Doan Development recently tied up a debt refinancing package and has succeeded in selling off many of its least productive properties. The sale of the three Alberta shopping centres will allow it to repay some C\$120m of its massive C\$1.4bn debt burden.

Some of eastern Canada's large developers have been even more successful in restoring their balance sheets, to the point where several investment analysts are recommending the purchase of shares in companies such as Trizec, Cadillac Fairview and Campeau.

Campeau and Cadillac Fairview are both getting rid of their residential portfolios. The latter has already sold over three-quarters of the assets of its discontinued operations and has cut its floating rate debt from C\$1.6bn to little more than C\$300m. Campeau's sales of housing and land assets, about one-third complete, is likely to continue for another four years.



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Property in Scotland	Fri. June 8th	Property in the Midlands	Fri. Oct. 5th
Property in the North West	Fri. July 6th	Industrial Property	Fri. Oct. 26th
Property along the M4	Fri. Sept. 21st	U.K. Property	Fri. Nov. 30th

For further information, please contact Andrew Wood on 01-248 5116, or write to: Financial Times, Bracken House, 10 Cannon Street, London, EC4P 4BY.

FINANCIAL TIMES
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THE PROPERTY MARKET BY MICHAEL CASSELL

Rents begin to overtake inflation

COMMERCIAL PROPERTY rents in the UK are, for the first time in nearly four years, rising faster than the rate of inflation.

The clearest confirmation yet that the property market is beginning to shrug off the impact of the recession came this week in the shape of the latest Investors Chronicle Hillier Parker rent index.

The index reveals that rental values in the six months up until the start of May grew at their fastest rate for two and a half years. At nearly 7 per cent, average growth was roughly double the rate recorded in the previous six months.

The Jones Lang Wootton Property Index was published during the week and also confirmed a long-awaited improvement in market performance. According to J.L.W., increased lettings and a more active investment market are now clearly discernible. The index, which records capital growth and income, stands just over 9 per cent higher than a year earlier.

The portfolio — which comprises properties valued at nearly £142m — is currently showing an overall yield of 5.9 per cent. Perhaps the most encouraging conclusion to be drawn from the rent index is that the improvement over the last six months has extended to all types of property in most regions. As has been the case for the last two

years, the retail sector has performed best, with rentals responding to the consumer boom and all regions beating, or at least matching, the inflation rate.

But although shop rents recorded the first double-digit growth rate (10.3 per cent) for four years, both office and industrial rents showed faster growth than for some time. With an average, six-month growth rate of 5.8 per cent, the most striking feature of the office market has been the gathering strength of the City of London and the continuing stagnation of the West End. Scotland has also been producing particularly good rental growth rates, with an overall 17.7 per cent increase recorded over the last half-year.

Not surprisingly, the industrial sector continues to lag behind and could only manage a 4.3 per cent growth rate overall during the latest six-month period. Even so, the rise was more than twice the rate achieved in the previous half-year. Only in the south east region, did industrial rents grow faster than the rate of inflation.

Industrial properties in the J.L.W. index portfolio now have a current yield of 9 per cent, which discounts all but very minimal future capital growth. But the agents say that selected buying in anticipation of recovery—especially if values are close to site value—could be beneficial.

Takeover plan fails

HERRING SON AND DAW, the London agents and surveyors, have failed in an attempt to take over Gibson Eley, the Reading-based agents, and are opening their own office in the Berkshire town.

The move, designed to improve the partnership's footing in one of its most important markets, follows the collapse of talks between the two firms. The abortive take-over has also led to a split within Gibson Eley, with two of its senior staff leaving to join the new Herring Son and Daw office.

The London agents have, since last autumn, been anxious to step up their presence in Reading as the Thames Valley has been generating a growing volume of office and "high-tech" agency business. A tie-up with Gibson Eley was pursued but Nick Owen, chairman of Herring Son and Daw, says talks failed "at the last hurdle."

Joining the new office will be David Nassif, the Gibson Eley investment partner, and Richard White, an associate partner in charge of the office agency department.

Owen says the plan is to start the Reading operation—the first in the town for a London commercial agent—on July 4. He hopes the date will go down well with the agency's rising number of American clients—though any date is likely to prove unpopular over at the Castle Street offices of Gibson Eley.

BR property asset sales peak

BRITISH RAIL has good cause to be pleased with the efforts of its property board to generate badly-needed cash from the railway system's redundant or under-used assets. But how long can the bonanza go on?

This week, the board gave itself a hearty slap on the back and announced a record £103m cash contribution to British Rail in 1983.

The latest cash hand-over means the board has injected over £360m into the railways over the last five years. But although the 1984 contribution could peak as high as £120m, the board is well aware that, thereafter, the going will get tougher. The reason is that the programme of disposals has rapidly

depleted the stock of saleable assets. Last year alone, gross proceeds from sales reached £71m—they could be £90m this year—and they were generated not just by selling land and property but by disposing of interests in income-generating investments like shopping centres and offices.

During 1983, an unprecedented number of auction sales raised £11m on everything from major properties to line-side cottages. A further 3,000 acres of land were sold off and, by the end of 1983, only about 1,000 miles of the 8,300 miles of unwanted branch lines remained unsold. Even the number of railway houses is down from 32,500 to under 2,000.

Despite the run-down of property assets, the board still managed to raise 1983 gross letting income from £62m to £67m and there is no doubt that new and major joint ventures with the private sector will help maintain and raise future income.

But it is unlikely to compensate for an expected steep decline in revenue from sales. When those sales begin to fall, so will the size of the cheque made out to BR.

Moss Bros is asking Westminster City Council for permission to demolish its store in London's Covent Garden and to replace it with a new 32,000 sq ft shop and 42,000 sq ft of offices.

Another fall in farmland investment

INSTITUTIONAL investors own no more than 3 per cent of UK agricultural land, according to a new survey by Savills, the estate agents. They say the net growth in acreage held by the institutions rose by only 4,100 acres last year—bringing it to just over £27,000 acres—the lowest rise in ownership since the mid-1960s.

During 1983, gross income on all agricultural property owned by 299 major institutions rose by 6.5 per cent while capital values rose by just over one per cent.

A private consortium of UK investment and development companies, represented by Strutt & Kettle, paid over £50m for twelve office-research and development buildings at Wofflet Park, Sunnyvale, Silicon Valley, California. The price paid reflects yields of between 8 1/2 per cent and 11 per cent.

Samuel Properties has sold its leased interest in the Thistle shopping centre, Stirling, to Standard Life Assurance for £2.1m. Standard Life funded the scheme and leased it to Samuel, which was taking £1.5m a year in rent.

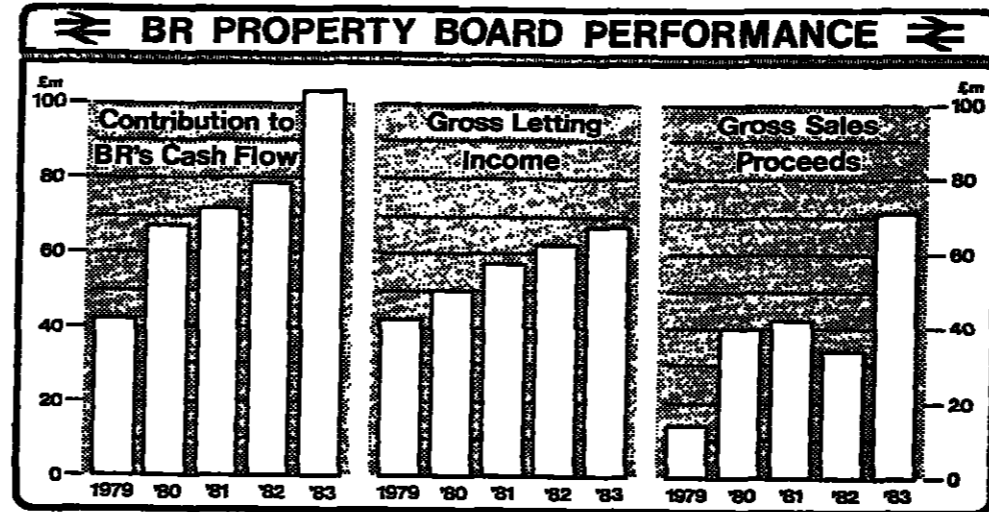
Hill Samuel Property Management has paid £1.5m (to reflect a net initial yield of 5.6 per cent) for the freehold of 45-62 Broadway, West Ealing, a parade of seven shops. Savills acted for Hill Samuel. Lazard Property Unit Trust, represented by Pepper Angus & Yarwood, has sold an Edinburgh investment to Highland Bank Finance Trust for nearly £5m. The property forms a major part of the Debenhams department store at Princes Street and Rose Street and has a current rental income of £282,000.

Available floorspace in central London has fallen below 3m sq ft for the first time since September 1982, following a record April take-up of 1.4m sq ft, according to Debenham Tewson & Chinnocks.

Orbit Development have paid around £2.25m for the Booth's Distilleries bottling plant in Brentford and is to develop the Brentside Executive Park on the site. Fuller Peiser acted for Booth's and Wright Oldham acted for Orbit.

Chesterfield Properties has signed a development partnership agreement with Sheffield City Council to build the 33-acre Waterhorpe shopping centre at Mosborough. Developer's agents for the 350,000 sq ft covered scheme are Godwin & Smith.

TSB Life has paid £1.1m (showing a net initial yield of 4 per cent) for a prime shop at English Street, Carlisle. TSB, represented by Debenham Tewson & Chinnocks, have made eight property investment purchases in the last year.



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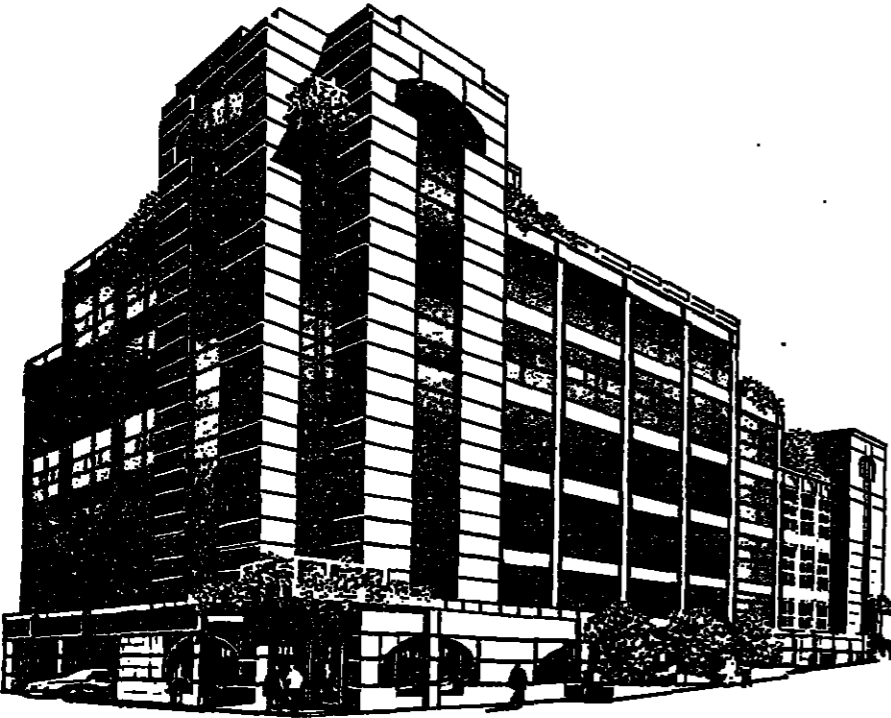
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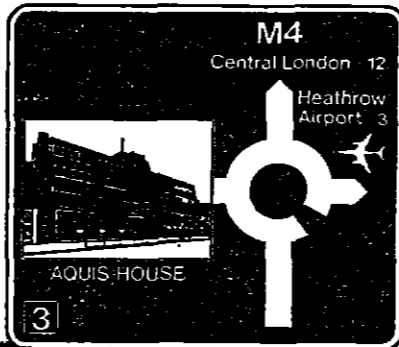
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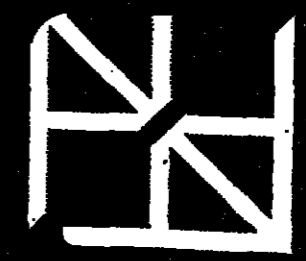
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17/25/8

UK COMPANY NEWS

Cater Allen rises and calls for £9m

CONSOLIDATED profits of Cater Allen Holdings, discount house, rose from £4.25m to £4.5m over the 12 months ended April 30 1984 after providing for rebate, tax and transfer to reserves for contingencies.

Along with the announcement the company said it was proposing to raise some £9m net, by an underwritten rights issue of up to 2,302,561 new shares at 410p on a one-for-three basis.

A final dividend of 20.575p (19.95p) lifts the net total from 26.95p to 28.875p per £1 share—the new shares will not rank for the final payment.

Operating profits for the year were down from £7.29m to £2.92m before taking in an £885,000 profit on the sale of a lease.

The group's balance sheet at year-end showed assets of £1.44bn (£1.13bn), but it is pointed out that the average life of the assets was "exceptionally short"—more than half the portfolio matured in the first three weeks of May.

The directors say the timing of recent rises in sterling interest rates was fortunate for the company in that it now has the opportunity to reinvest at higher interest rate levels when the moment is right. They add that the doubling of balance sheet totals since 1982 reflects the substantial growth in capital resources since the merger (with Allen Harvey) in 1981.

Although many banks are having to make special provisions for corporate tax deferred in previous years and

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corre- sponding div.	Total year	Total last year
Bishopgate Tst 2nd int	2.3	—	2.3	3.5	3.5
Cater Allen	20.58	July 7	19.95	26.88	26.95
Deriford	3.5	1982/80	2.5	6	5
J. A. Devenish	2.25	July 2	2.25	—	10.25
Extel	9	July 27	7.5	12	10
Fine Art	1.9	July 4	1.9	3†	3
A. Goldberg	3.96	July 10	3.96	5.25	5.25
Philip Hill	6.25	July 30	5.5	8.25	7.5
Minster Assets	3.2	July 2	3	5	4.7
Narborough†	0.5	Aug 15	0.32*	—	0.96*
Plessey	2.24	Nov 1	1.85	3.8	3.3*
Scottish Inv Tst	1.16	July 5	0.89*	1.72	1.32*
Scottish Guarantee	1.7	July 16	1.7	—	4.7
St. Raphael	0.68	July 14	0.45	1	0.7
Weeks Associates	0.4	—	0.3	7.5	7
Wolv & Dudley	2.55	July 2	2.3	—	6.85
Young's Brewery	3	—	2.5	5.5	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital. ‡Increased by rights and/or acquisition issues. †USM stock. ‡Unquoted stock. †Gross throughout.

for possible losses on international loans, Cater has avoided both of these problems. In March a lengthy negotiation for the re-structuring of the property interests at 1 King William Street and Chetwynd House was completed. The profit on this re-structuring has been shown separately in the profit and loss account.

Margins on bills of exchange were minimal for most of the year, reflecting continuous intervention by the Bank of England through the purchase of bills in a generally bullish market. However, was sub-

stantial and good profits were earned. Margins on sterling certificates of deposit were more favourable and turnover was notably strong, representing approximately one-third of total discount market turnover.

The group developed its share of the new market in building society companies at the year-end. In the gilt-edged market its activity continued to grow and good profits were earned, although less than in the exceptional trading conditions of mid-1982.

The financial futures broking subsidiary, Cater Allen Futures, had a promising year. The group purchased a third seat on LIFFE in October and intends to maintain commitment in this market. It anticipates increased turnover and expects this broking business to be profitable.

Overhead costs for the group were slightly less than in the previous year and should fall again in the current year. The directors believe there will be opportunities to extend the group's wholesale financial market activities into new areas.

The strategic aims of the group include, initially, a more active involvement in gilt-edged dealing. This would complement its traditional business in short-dated securities and its more recent participation in the financial futures market—the directors have indicated this policy to the Bank of England.

Although the requirements of the relevant authorities are not yet established, they believe it important to be in a position to take advantage of such opportunities as they present themselves. In these circumstances the directors say it is appropriate to approach shareholders to increase the holding company's capital base.

After appropriations, Cater Allen finished the 1983/84 year with a carry-forward balance of £7.5m (£4.77m). See Lex

Sterling Guarantee advances by £7.8m

Sterling Guarantee Trust made further good progress through the second six months to finish the year to March 24 1984 with pre-tax profits £7.79m ahead at £16.48m.

The second six months contribution totalled £10.97m (£7.00m) and compared with a forecast total dividend of 0.91p, the company is paying 1p net per 10p share—0.7p was paid for 1982-83.

Total turnover for the past year expanded from £177.21m to £199.08m with the contribution from the service industry division amounting to £151.73m (£133.01m) — the group was formerly known as Town and Properties.

Pre-tax profits were made up as to £19.14m (£17.29m) net income from the property division £10.54m (£7.63m adjusted), earnings from the service industry sector and other income £1.49m (£1.00m), less interest payable of £14.16m (£12.90m). Employee profit share took £583,000 (£397,000).

Tax accounted for £4.61m (added £985,000) and after minorities of £37,000 (£41,000) attributable profits emerged at £11.81m, compared with £9.61m. Ordinary and preference dividends will absorb £6.21m (£5.1m).

Shareings came through at 2.58p (1.88p) per 10p share and assets per ordinary totalled 65p basic and 49.5p fully diluted (after redemption of Barclays preference shares). Share capital and reserves at March 24 1984 amounted to £288.27m (£246.76m).

Sterling Guarantee is under- standing its business and its share stake in P & O from 3 per cent to 4 per cent, but Mr Jeffrey Sterling, the chairman, yesterday declined to comment on whether his group intends to add further to its holdings—he is also chairman of the shipping company.

It is a reflection on the market and not on Sterling that pre-tax profits which beat some estimates by £2m and more failed to stop the shares falling 1p to 49p. The price has been so carefully nursed back to health over the years looks rosier still as rent reviews benefit from the uplift in retail property which his group intends to add further.

The service division made more spectacular progress with a 38 per cent increase in operating income stemming both from economic recovery and better margins. Overall, the improving balance sheet, with net debt down by about £20m to just under £120m, now provides the backing for Mr Sterling's plans for possible acquisitions, which may or may not involve P & O.

With perhaps £21m pre-tax on the cards this year, the shares look fully valued at 49p and the company's net asset value per share (£9.5p fully diluted) has been eliminated.

Sandhurst Marketing up to £1.24m and pays 1.72p

SECOND HALF pre-tax profits of £986,000 against £546,000 at Sandhurst Marketing lifted the outcome for the year to January 31, 1984 from £901,000 to £1.24m and the dividend total is being effectively increased from 1.322p to 1.715p with a final payment of 1.16p net. A one-for-one scrip issue is also proposed.

Turnover for the 12 months expanded from £14.77m to £18.63m and the tax charge was £413,000 (£305,000) for earnings of 8.04p (£5.8p) per 10p share. There was an extraordinary debit of £468,000 this time, being £100,000 in respect of the cost of a preference share issue and a £368,000 provision for deferred tax.

It is proposed to place new shares in the company's ordinary share capital and the furniture division have both turned the corner: William Johnson with a turnaround of some £155,000, bringing it into profit.

Mr B. D. Hulme, chairman, says he is still confident that the group is going to be one of the largest stationery and office equipment suppliers in the UK.

Following the placing, Spectra will continue to be a group subsidiary. The directors say obtaining a separate quotation will give Spectra further flexibility to

expand its business and will assist it in taking advantage of the increasing market for its products. The recent acquisition of the business of Dynaglaz with its range of car polishes, has been a significant step for Spectra and the directors say they view the future of Spectra with confidence.

They report that the group's two "lame ducks" of last year, William Johnson and Sons (London) and the furniture division have both turned the corner: William Johnson with a turnaround of some £155,000, bringing it into profit.

Mr B. D. Hulme, chairman, says he is still confident that the group is going to be one of the largest stationery and office equipment suppliers in the UK.

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next week's planned flotation of its automotive and engineering products subsidiary Spectra, on the USM. The acquisitions of Channel Business Systems and Office Requirements significantly expand the business systems side of the group. Stationery sales, the area where Sandhurst began, now accounts for just 28 per cent of profits. Sandhurst has always aimed to develop a vertical market in office supplies from paper to computers and is developing a particular specialism in retailing systems. The company is calling a halt to further acquisitions for the present to have time to integrate the business systems division fully. It is achieving an overall return on assets employed of 30 per cent. Trading profit in the first quarter of the current year is up 31 per cent on last year. The Spectra flotation should add around £200,000 to current year profits which should comfortably pass the £2m mark. The shares rose 6p to 158p where they sell on a prospective p/e of 11.8. They should go higher.

Comfort Hotels to raise £7.8m

Comfort Hotels International is asking shareholders for £7.8m (£7.5m after expenses) through a rights issue of convertible unsecured loan stock, to help finance the group's rapid expansion. Initially the money raised will be used to reduce bank borrowings. Then it will finance working capital requirements and will be available for Comfort to take advantage of any deals that may arise.

Holders are being offered £1 nominal of loan stock at par for every eight shares held. The loan stock is dated 1987-2001, and carries a 7 1/2 per cent coupon. It will be convertible during September of the years 1987 to 1997 at the rate of 196 ordinary shares for each £100 nominal of the stock, equivalent to 51p per share.

The issue is subject to approval at an EGM to be held on June 11, and if that is successful the final acceptance date will be July 3.

Comfort has not made a forecast of profits or dividends, though it is expected that the progress made in 1983 will be continued in 1984, with contributions from the acquisitions.

A high level of bank borrowings has nearly always been a feature of Comfort's accounts, and hefty interest charges have held back profits growth. In 1982 the interest bill was £2.5m compared with pre-tax profits of £1m. The position improved in 1983, with interest paid down to £1.9m and profits up to £2.6m. Though the rights issue will cut

the interest bill somewhat, its attraction is in replacing debts subject to variable rates with fixed, convertible loan stock. Comfort seems to get through cash at a fast rate. Hotel sales in 1983, part of Comfort's move up-market, raised £2m. But at the year end debt was little lower than it had been at the beginning. Comfort has no new purchases in the pipeline now, but the management is actively looking for more hotels. This is, though, the first time Comfort has come to shareholders for money, and it includes with what should be a good year for the group, given the large number of tourists now in London, Comfort's main market. The shares stood up well yesterday to the news, falling only 1p to 46p.

comment: A high level of bank borrowings has nearly always been a feature of Comfort's accounts, and hefty interest charges have held back profits growth. In 1982 the interest bill was £2.5m compared with pre-tax profits of £1m. The position improved in 1983, with interest paid down to £1.9m and profits up to £2.6m. Though the rights issue will cut

Portsmouth Water £2m tender offer

Portsmouth Water Company is the first to test the market for demand for water company preference stock after the Budget changes which substantially reduced the traditional attractions for franked investment income.

Brokers Seymour Pierce are offering £2m of Portsmouth 7.75 per cent redeemable preference stock 1987 by way of tender at a minimum price of 299.5 pence. At that level the fully grossed up franked income yield is 12.8 per cent and the conventional yield is 11.12 per cent. A deposit of £10 per £100

nominal of stock should accompany tenders which must be received no later than 11 am on Thursday May 31. The first dividend on the issue of £2,086 will be payable on October 1 and thereafter six-monthly payments will be made on April 1 and October 1.

In the wake of the Budget preference stocks as a whole slipped back and while the terms of the Portsmouth issue have been tailored for the changed circumstances this issue is trying to find the market level

again. By taking the stock exceedingly short — earlier in the year Mid-Southern was able to get a 1981 stock away with a 6 1/2 per cent coupon — its life runs with the gradual reduction in corporation tax. Compared to Treasury 10 per cent 1987 yielding 10.4 per cent Portsmouth is giving enough away to attract a fair amount of interest for those whose franked investment income still matters. Tenders should probably be pitched at over £100, though, given the background, the market will be slightly groping in the dark to get the pricing right.

Wolverhampton & Dudley 8.5% higher at midway

Wolverhampton & Dudley Breweries pushed pre-tax profits 3.5 per cent higher in the six months to March 31 1984 on a 6.5 per cent increase in turnover. This was achieved, the directors explain, by continued full maintenance and selective improvement of the group's existing outlets.

Profits at midway advanced from £5.54m to £6m on sales from £41.32m to £44.01m and the directors say they are cautiously optimistic the company will again achieve a satisfactory result for the full year.

The net interim dividend is being stepped up from 2.3p to 2.55p.

comment: Plan "B" is going well at Wolverhampton & Dudley. Its attempt to acquire Davenport, which would have significantly increased its trading base and shaken the group free of its

Black Country dependence, was thwarted but the somewhat slower process of pub by pub expansion is progressing. New outlets are compensating slip-slips in its traditional heartland and all in all volume has been held unchanged with Harp largely taking a greater share at the expense of W & D's own ales. W & D's capital spending programme is being maintained around the 50m mark though it is now virtually exclusively aimed at the retail end of the business rather than its breweries — there should be another 14 new pubs by Christmas. The second half has got off to a good start and as the expansion starts paying off, profits should have little difficulty edging over £13m pre-tax. Assuming a 40 per cent tax charge the earnings multiple drops to 9.3 at 232p which does not look expensive, even if the market favours the nationals at present.

Fine Art Developments doubles to over £3.3m

SECOND HALF pre-tax profits of Fine Art Developments, the greeting card publisher jumped from £1.86m to £3.2m, leaving the outcome for the year to March 31 1984 slightly more than doubled from £1.66m to £3.36m.

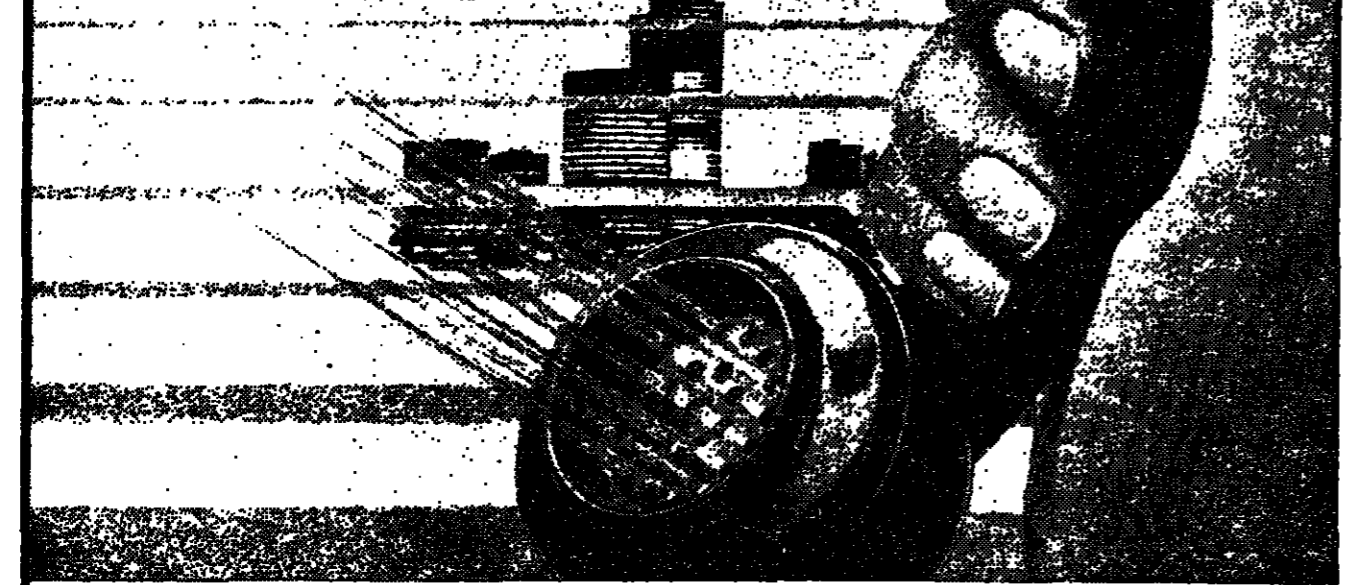
Earnings per 5p share are shown to have risen from 2.72p to 3.99p and the final dividend is 1.9p net for an unchanged total of 3p on increased capital.

On turnover for the 12 months up from £31.1m to £38.16m, operating profits rose from £3.83m to £5.1m. From these interest took £2.09m (£2.2m), while income from investments added £37,000 (£38,000).

The tax charge increased from £49,000 to £535,000 and there were extraordinary debits of £36,000 (£363,000 credits) and minorities of £69,000 (£23,000).

comment: Fine Art is a long way from recapturing its former glories, but it is making a fair start. Mail order — around half of group turnover, before the Selective acquisition — showed some sales growth last year, after a long period of decline. And the Early Learning toy chain — something the group has rather kept under wraps to date — is growing like Topsy, with outlets now totalling around 50 and another 49 scheduled in the course of this year; pre-tax profits have tripled in the past two years, to not far short of £0.5m. Selective is in effect excluded from these figures, but it made £2.1m pre-tax last year, on sales of £16m. The real worry about the group is that the greetings card business should have taken such a hammering in recent years, in what is still, after all, a growth market. Selective, though, has an excellent record, and rounds out the group's coverage of the market. The shares were unchanged yesterday at 65p.

Plessey profits climb to £176m



Pre-tax profit up 20%
Dividends up 15%
Order book up 16%
Earnings per share up 35%

1983/4 Preliminary results

An extract from The Plessey Company's unaudited consolidated results.

	52 weeks ended 30 March 1984	52 weeks ended 1 April 1983
Sales	1,218,922	1,074,750
Operating profit	146,309	119,004
Profit before taxation	176,136	146,362
Profit before extraordinary items	112,045	82,798

If approved at the Annual General Meeting on Thursday, 12 July 1984, the proposed final dividend of 2.24p per share will be paid on 1 November 1984, two months earlier than previously, to shareholders registered on 13 September 1984. This dividend, together with the interim dividend already declared, will amount to a total dividend for the year of 3.80p per share.

Copies of the full Report and Accounts for 1984, which have not yet been reported upon by the auditors, will be sent to shareholders on 18 June 1984.



The Plessey Company plc, Vicarage Lane, Ilford, Essex IG1 4AA.

PLESSEY and the Plessey symbol are Registered Trade Marks of The Plessey Company plc

No change so far at Martin: interim passed

Martin the Newsgent, which is subject to an agreed bid from Guinness and Sons, yesterday reported virtually unchanged first half profits and, as part of the deal with Guinness, omitted its interim dividend.

In the six months ended April 1 1984, Martin had pre-tax profit of £2.91m against £2.86m in the previous first half. Turnover rose from £74.6m to £77.39m.

Tax, based on an estimated rate for the full year of 38 per cent, was calculated at £1.1m compared with £744,000 last year, and Martin also had extraordinary credits of £468,000 (£150,000) from the sale of fixed assets.

Last year, Martin paid an interim dividend of 2.4p.

The Guinness offer document relating to the deal has been posted to shareholders and contains notice of an EGM to be held on June 18, at which a special resolution will be proposed to give effect to a reorganisation of Martin's ordinary share capital. First closing date for the offers will be June 14.

The Guinness offer document showed that it bought 100,000 Martin shares before Martin received an approach from W. H. Smith. The Stock Exchange is investigating the run-up to Martin's share price before the W. H. Smith bid.

Guinness bought 25,000 shares at 145p on April 18. A few days later, the share price began to rise and on April 25 Guinness bought 25,000 at 190p and 50,000 shares at 197p.

On the April 26, Martin said in response to Stock Exchange inquiries that it was unaware of any reason for the rise, and later on the same day it received an approach from W. H. Smith which eventually became a public bid on May 2. Guinness put in its bid on May 17.

Scottish Inv.Tst.

Net asset value per 15p share of the Scottish Investment Trust rose from 370p to 304.9p in the six months ended April 30 1984. Net revenue to rise first half was little changed at £1.8m, compared with £1.77m, after interest, expenses, and tax which rose from £1.30m to £1.34m. The net interim dividend is a same-again 1.7p.

Extel GROUP

75% PROFIT INCREASE

Year to 31st March	1984	1983*	Change
	£000	£000	
Turnover	149,488	125,837	+18%
Profit before taxation	10,611	6,033	+75%
Earnings per share	31.2p	14.4p	+116%
Dividends per share	12.0p	10.0p	+20%

*Restated to reflect the merger with Benn Brothers plc.

The 1984 figures are extracted from the Company's accounts which received an unqualified report from the auditors and which will be filed with the registrar of companies.

- Seventh successive record year
- More than doubled profits from
- Benn Brothers — publishing
- Burrups — printing
- Digital Microsystems — computers
- Sports and Financial services and
- Royds Advertising Group well up
- One for one scrip issue proposed

Alan Brooker, Chairman

Extel Group PLC
Extel House, East Harding Street, London EC4P 4HB.

MINING NEWS BIDS AND DEALS

Dome Mines in the red

BY GEORGE MILLING-STANLEY

REDUCED GOLD production, higher operating costs and the lower average gold price combined to cut into the profitability of the Dome Mines group. Canada's biggest gold producer, in the first quarter of 1984, the group was pushed into loss for the period after absorbing its share of the write-offs made by its 28 per cent-owned associate Dome Petroleum.

The net loss for the three months was C\$1.47m (£800,000) or 2 cents a share, which compares with profits of C\$24.72m or 35 cents in the first quarter of last year.

Within the group's share of the Dome Petroleum write-offs, Dome would have made net profits of C\$7.43m, against C\$27.8m in the opening three months of 1983.

The fall in gold production from 112,174 ounces in the first three months of 1983 to 102,766 oz in the latest period was largely attributable to the successful operations carried out on the group's ageing treatment plant at Timmins, Ontario, last year.

These operations added 37,000 oz to last year's output, worth something like C\$20m at the time it was sold. The funds went towards the cost of the new shaft which was recently sunk at the Dome mine, which is expected

to revitalise the 75-year-old operation.

The latest results also suffer in comparison because last year's first quarter included the C\$17.12m extraordinary gain realised on the sale of Dome's interest in Denison Mines.

The gold price received in the latest quarter averaged C\$488 per oz, down from C\$564 in the first three months of last year.

The rise in operating costs came about because of problems with the start-up of the new Detour Lake operation 125 miles north-east of Timmins.

The Dome group's 80 per cent interest in Detour Lake is now held by Campbell Red Lake Mines, owned as to 57 per cent by Dome Mines. Amoco Canada Petroleum, a subsidiary of Standard Oil of Indiana, holds the remaining 23 per cent.

Campbell reported first-quarter net profits of C\$7.47m or 16 cents a share, compared with C\$18.34m or 38 cents in the opening three months of last year.

Campbell's results were largely affected by the same factors as those of its parent, including the write-offs, although here gold production rose from 51,948 oz to 60,049 oz.

Bullion revenue was almost unchanged from last year at C\$29.6m, equal to about C\$491 per ounce against C\$567.

Vigorous Halstead defence against British Syphon

BY RAY MAUGHAN

James Halstead, the Manchester-based floor covering, travel and waterproof clothing group yesterday published a vigorous defence against the £12m all equity offer from British Syphon Industries, the drinks dispenser equipment manufacturer headed by Halstead's former chief executive, Mr Bryan Morrall.

The offer document, the Halstead chairman, Mr Vincent Clare tells his shareholders, contains sections which are "both individually arrogant and misleading. Consequently, I am constrained to put before you the factual position."

The offer has been rejected by holders of 40 per cent of Halstead's ordinary share capital and, on the basis of last night's closing prices, values Halstead at 85p per share against the market price of 96p.

Setting out the reason for accepting British Syphon's terms, Mr Morrall contrasted Halstead's record between 1975 and March 1983 with his stewardship and what is described as its "flattering performance subsequently."

But Mr Clare stressed yesterday that "the only 'falling' in your company's performance since March 1983 has been in relation to the diversifications

which Mr Morrall had urged on your board."

Halstead's chairman also declared that Mr Morrall had "every opportunity to build up a major manufacturing company while with Halstead. He spent a large proportion of his time looking at acquisitions," Mr Clare said, and while he was chief executive there were six acquisitions, none of which was major, two were non-manufacturing and most have since incurred losses and have required remedial action.

As the Halstead board sees the terms, "the offer seriously undervalues your company" and "is devoid of any commercial justification for Halstead."

Mr Clare pointed out that shareholders "are offered British Syphon shares whose present price is not supported on a sound investment basis and whose value and future prospects are not certain."

Further on, "British Syphon's 1983 results have been enhanced by the unusual transfer of losses to prior years. Without these adjustments, British Syphon's retained losses for 1983 would have been nearly £300,000."

Mr Morrall said later that these adjustments, relating to stock and plant values, "were

correctly dealt with from any accounting point of view. I felt we should be very prudent."

But the acrimony sparked by British Syphon's bid centres on the manner of Mr Morrall's departure from the Halstead board and the performance of the Wigwam travel subsidiary acquired about three months before he left.

Mr Clare said yesterday that "Mr Morrall did not simply resign his post. He had, without any prior intimation to the board, announced publicly that he had acquired an interest in British Syphon (in fact it transpired that his acquisition had started about three months earlier) and intended to join its board — initially in a non-executive capacity and later on a full-time basis. Your board found it impossible to continue to work with him and procured his departure at their timing rather than his."

Mr Morrall's reason for keeping "secret" those negotiations, he added yesterday, was that he had "no alternative when dealing with a public company and could not take major risks by talking to irresponsible people."

"I offered to serve my time out but they (the Halstead board) would not talk to me, but sent my group's lawyer to speak to me."

BIDS AND DEALS IN BRIEF

To boost its interests in the telecommunications field Anglo Nordic Holdings has purchased for £100,000 cash Credowan, a designer and manufacturer of precision microwave components, and has set up a joint company, Vega Embisher, with Embisher Research of Ontario.

Grass and Co, a New York investment firm, has increased its holding in Winterbottom Energy Trust to 9.56 per cent, or 2.5m shares from 7.5 per cent holding previously disclosed.

Earlier this month, Winterbottom rejected a partial offer from Gruss, whose managing partner Mr Martin Gruss said he had offered to buy 25 per cent of the energy investment trust in addition to the 7.5 per cent already owned. He also proposed a joint company with Winterbottom's managers, the Edinburgh-based Baillie Gifford.

Winterbottom rejected the offer on the grounds that Gruss was attempting to control the trust through the purchase of only a minority holding. Gruss said then that it reserved the right to buy or sell Winterbottom shares.

Its previous offer was at net asset value, which on Monday was 108p.

Guaranty Nominees, the nominee company for Morgan Guaranty Trust Co of New York, holds 52.23m shares or 14.19 per cent of Glaxo Holdings, compared with 15.42 per cent disposed in March. Guaranty Nominees represents holders of American Depository Receipts.

Acceptances of the BAF Industries offer for Eagle Star now represent 99.84 per cent of the capital.

Hanson Trust said in New York that its Husar Industries Inc. unit has completed its tender offer for shares of U.S. Industries Inc. at \$23 a share.

Hmas has accepted under its offer 19,771,728 shares which, together with 1m shares previously held, constitute approximately 89.1 per cent of the outstanding U.S. Industries shares.

Donald Macpherson Group continues to recommend the offer of 125p per share from Tikhurria.

J. E. Lesser and Sons has sold its holding of 100,000 shares (7.1 per cent) of Swindon Private Hospital to Medic International at 120p per share. Yesterday, the shares closed at 115p, up 10p.

J. E. Lesser was the building contractor for the hospital, which is now completed. Medic places hospital personnel and doctors, and has a 20 per cent holding in the London Private Health Group, which also owns

7.1 per cent of Swindon Private Hospital.

Corporate Motor Holdings has purchased the business and assets of Erskine Cars, the Ford dealership for the Working area. Finance for the transaction was provided by County Bank. Corporate Motor Holdings was set up by Mr Andrew Seem and Mr Keith Ewing, who previously held senior management positions with Heron Corporation and Bristol Street Motors.

Rahan Group intends to declare its offer for DAD Properties unconditional as to acceptances upon valid acceptances being received in respect of more than 80 per cent of the shares by June 1 1984.

The claims made by Rock in relation to certain warranties contained in the agreement dated March 8 1983 of its acquisition of the companies comprising the small tools division of W. E. Norton (Holdings) have been settled on the basis of a £25,000 payment by Norton to Rock.

Pauls & Whites' acquisition of Telford Foods has been completed. The 2.77m new ordinary shares issued as part of the consideration have been admitted to the official list.

SHARE STAKES

Octopus Publishing Group—Mrs Susan Mary Thomson, a director, has disposed of 25,000 ordinary shares.

R. P. Martin—Mr M. Booi, a member of the voting trust, sold 5,000 shares at 255p, outside the voting trust. The voting trust has been expanded to include additional Bierbaum employees.

Sindar—Mrs J. M. Tyrrell has sold 175,000 ordinary shares.

Cambridge Petroleum Royalties—John Covett and Co, as agents are now the holders of 1,077,000 (21.84 per cent) ordinary shares, held in the names of West Nominees and Midland Bank (Princes Street Nominees).

Global Investment Trust—The Prudential Corporation Group of companies is interested in a total of 8,521,043 ordinary shares (£30 per cent).

Prince of Wales Hotels—Quality Inns Inc is interested in a further 22,561 shares.

Bronx Engineering Holdings—A. I. Cross has increased his holding by 50,000 shares to 675,000 shares.

Pritchard Services Group—P. J. Fox, a director, as a non-beneficial owner acquired, upon exercise of options, 52,613 shares (0.05 per cent).

Mellerware Internationals—Mrs Elizabeth Meller has disposed of 500,000 shares, placed with institutions and private shareholders. Mrs Meller retains 503,057 shares (9.15 per cent) and has undertaken to sell no more for 12 months.

Joe Holdings—Discretionary clients, non-discretionary clients and associates of John Carrington now hold collectively 1,300,075 ordinary shares (21.1 per cent).

COMPANY NEWS IN BRIEF

Williams Holdings has received acceptances in respect of 2,333,987 new ordinary shares (approximately 93.27 per cent of the shares) offered by way of rights.

Pre-tax profits of H. Samuel, the multiple jeweller, emerged at £5.21m for the year ended January 28 1984 compared with a forecast of not less than £5m made at time of the offer for James Walker Goldsmith and Silverware. The offer became unconditional on April 18.

The profit compares with £3.26m for 1983-83 and was achieved on turnover of £88.85m (£77.82m). A second interim dividend of 4.75p has already been declared making an unchanged total of 6.25p. A one-for-two scrip issue is proposed.

Sales so far in the current year have reflected a general improvement in market conditions.

An auction of the shipwrecked group properties has thrown up a surplus over book value of £47m.

Another letter has been sent to shareholders of Henry Aasbacher Holdings concerning

part of its trading activities. Negotiations in which Aasbacher is participating are, however, proceeding for a reconstruction of the shipwrecked business and Aasbacher believes that it has support from the authorities concerned.

The accounts of Misset Holdings for 1983 show that investigations and negotiations arising from certain arrangements for various syndicates are still in progress. Following a detailed review of the current situation, a further charge of £5.88m has been made as an extraordinary item.

The auditors say it is impracticable to estimate the amount of claims and possible claims made against a company subsidiary.

BANK RETURN

	Wednesday May 23 1984	Increase + or Decrease - for week
BANKING DEPARTMENT		
Liabilities	£ 14,253,000	£
Capital	64,161,538	227,074,861
Public Deposits	69,952,922	59,083,668
Bankers Deposits	1,740,852,487	1,38,961,461
Reserve and other Accounts		
	2,465,183,047	116,196,669
Assets	436,601,100	14,290,000
Government Securities	590,333,097	62,722,191
Advance & other Accounts	1,430,787,054	59,948,560
Premises Equipment & other Secs.	41,114	7,891,396
Notes	144,114	36,622
Coin	2,465,183,047	116,196,669
ISSUE DEPARTMENT		
Liabilities	£ 11,900,000,000	£ 180,000,000
Notes issued	11,995,898,318	197,991,596
in circulation	4,717,688	7,891,396
in Banking Department		
Assets	11,015,100	748,118,189
Government Securities	3,222,021,069	588,588,189
Other Government Securities	8,666,863,951	
Other Securities	11,900,000,000	180,000,000

Reduced loss for Teck

CONTINUING LOW prices for copper and molybdenum meant that Canada's Teck Corporation stayed in the red in the three months to the end of March, the second quarter of the group's financial year.

The latest quarterly loss brought the net loss for the first half of Teck's financial year to September to C\$1.1m (£1.7m) or 15 cents a share, which compares with a deficit of C\$2.9m or 14 cents in the opening six months of last year.

However, these figures should not be allowed to disguise the improvement between the latest two quarters. Teck's loss in the latest three months was C\$448,000, which compares with a loss of C\$1.6m in the corresponding quarter of last year and C\$2.6m in the three months immediately preceding.

Mr Norman B. Keevil Jr, Teck's president, said that the new Bullmoose colliery in British Columbia has made a positive contribution to earnings from the start of production on January 1.

He added that all of the group's divisions operated profitably during the second half of the year with the single exception of copper, where the group's mines had a combined operating loss of C\$1.6m.

Mr Keevil said he expects the Afton mine to be performing better very soon as the planned lower-grade cycle is coming to an end. This should result in lower operating costs and an improved contribution to group profits.

For the longer term, Mr Keevil pointed out that the construction of the mill at Teck's rich gold property at Hermio in north-western Ontario started during the second quarter. In addition, the headframe has been completed and shaft sinking is under way, and first production is scheduled for the middle of next year.

Carbury £0.5m placing

Carbury Resources has initiated a placing of shares which is expected to raise £0.5m in the region of £120,000. The company is applying to the Stock Exchange for permission for its shares to be traded under Rule 183 (3).

The placing is being arranged by the Investment Bank of Ireland. Stockbrokers are Goodbody & Wilkinson.

Carbury hopes the placing will be completed and that permission to trade on the shares will be granted by mid-June.

The principal objection of the company is to explore for and acquire production of oil and gas, through participation in drilling programmes in areas which have a history of successful production, mainly in the

The Beauford Group

RESULTS FOR THE YEAR ENDED 31st DECEMBER			
	1983	1982	
Profit before exceptional item	£ 629,639	£ 607,222	
Exceptional item	71,721	—	
Profit before tax	557,918	607,222	
Tax	219,866	228,703	
Extraordinary item	338,652	378,519	
	—	50,000	
Profit for year	338,652	328,519	
Earnings per share:			
before extraordinary item	10.4p	11.5p	
after extraordinary item	10.4p	10.1p	
Total dividends per share	4.0p	3.5p	

From the statement by the Chairman, Mr G. Crawford:

A further increase in profits on ordinary activities before redundancy costs was achieved despite a small reduction in turnover. In the light of the trading conditions which prevailed, such increase is considered satisfactory by the Board. The Board recommends a total dividend for the year of 4p per share compared with 3.5p for 1982.

The year has seen a continued increase in the variety of industries served by the Group which now uses its expertise in the engineering and allied fields to supply equipment and services to the oil, cement, rubber, glass, nuclear and sugar industries as well as to the steel industry.

The first quarter of the current year has seen a considerable increase in order intake which gives the Board a greater degree of optimism for the outcome of the year than has been possible at the comparable stage for many years past.

THE BEAUFORD GROUP PLC
CLECKHEATON, WEST YORKSHIRE BD19 3HY

WEBSTERS

Goodyear for Bookwise

Further growth from Books for Students

Satisfactory increase in results of Websters Bookshops

Firm foothold established by Websters Software

Financial highlights

	1983	1982	Increase
	£000	£000	%
Turnover	51,842	40,306	28.6
Pre-tax profit	2,004	1,461	37.2
	1983	1982	Increase
	pence	pence	%
Earnings per share	10.3	7.9	30.4
Dividends	3.1	2.7	14.8

Rights issue of 1 share for 3 at 84p—3rd May, 1984.

Copies of the Annual Report available from The Secretary

THE WEBSTERS GROUP PLC
Langham Park, Cotteshall Lane, Godalming, Surrey, GU7 1NG

Bass Public Limited Company

Interim Statement For the 28 weeks ended 7th April, 1984

	28 weeks to 7.4.84	28 weeks to 9.4.83	Year to 30.9.83
	£ millions	£ millions adjusted (Note 2)	£ millions
Turnover (Note 1)	1,106.6	1,004.1	1,988.4
Costs and overheads, less other income	1,012.1	928.6	1,791.2
Trading profit (Note 1)	94.5	75.5	197.2
Cost of borrowing	10.1	13.0	22.2
Profit on ordinary activities before taxation	84.4	62.5	175.0
Tax on profit on ordinary activities (Note 2)	31.7	22.1	61.7
Profit on ordinary activities after taxation	52.7	40.4	113.3
Attributable to outside shareholders	—	0.1	0.6
Preference dividends	0.2	0.2	0.3
Earnings available for ordinary shareholders	52.5	40.1	112.4
Ordinary dividends paid and proposed (Note 3)	10.7	9.5	36.7
	41.8	30.6	75.7
Ordinary dividends paid and proposed — per share	3.30p	2.93p	11.36p
Earnings per ordinary share (Note 4)	16.2p	12.4p	34.9p

NOTES:

1. Turnover and trading profit

	28 weeks to 7.4.84	28 weeks to 9.4.83	Year to 30.9.83
	£ millions	£ millions	£ millions
(a) Operational analysis			
Turnover—			
Brewing, drinks and pub retailing	853.0	775.3	1,493.6
Leisure	253.6	228.8	494.8
	1,106.6	1,004.1	1,988.4
Trading profit—			
Brewing, drinks and pub retailing	88.3	70.4	164.8
Leisure	6.2	5.1	32.4
	94.5	75.5	197.2
(b) Trading profit is after charging/(crediting):			
	28 weeks to 7.4.84	28 weeks to 9.4.83	Year to 30.9.83
	£ millions	£ millions	£ millions
Depreciation on tangible fixed assets	29.7	27.8	53.3
Surplus on disposal of fixed assets and subsidiaries			
—brewing, drinks and pub retailing	(6.9)	(5.4)	(15.4)
—leisure	0.2	(0.4)	0.7
Provision for employee share ownership scheme	3.1	2.2	6.2
(c) In the 28 weeks under review there has been continued growth in the Company's beer sales compared with the same period last year, and an increase in market share. Sales of lager, particularly Carling Black Label and Tennents, showed above average increases. The volume of trading in all other sectors of the business also increased. There has been an encouraging start to sales in the second half-year. Nevertheless, the substantial rate of growth in the first half is unlikely to be maintained for the whole of the financial year, because of the exceptionally good summer in 1983.			

2. Taxation

(a) Taxation has been provided at an estimated effective rate of 37.5% (1983: adjusted to 35.3%) on profit before taxation.

(b) Deferred taxation

Indications are that the proposed changes in rates of corporation tax and capital allowances will give rise to a provision for deferred taxation, which is presently estimated at £9.0m, for which no provision has been made in this statement.

3. An interim dividend of 3.30p per share (1983: 2.93p) on the Ordinary shares will be paid on 23rd July 1984.

4. Earnings per Ordinary share are calculated by dividing the earnings available for Ordinary shareholders (£52.5m (£40.1m) by 324.9m (1983: 323.0m) being the number of Ordinary shares of 25p in issue at the end of the period and ranking for dividend.

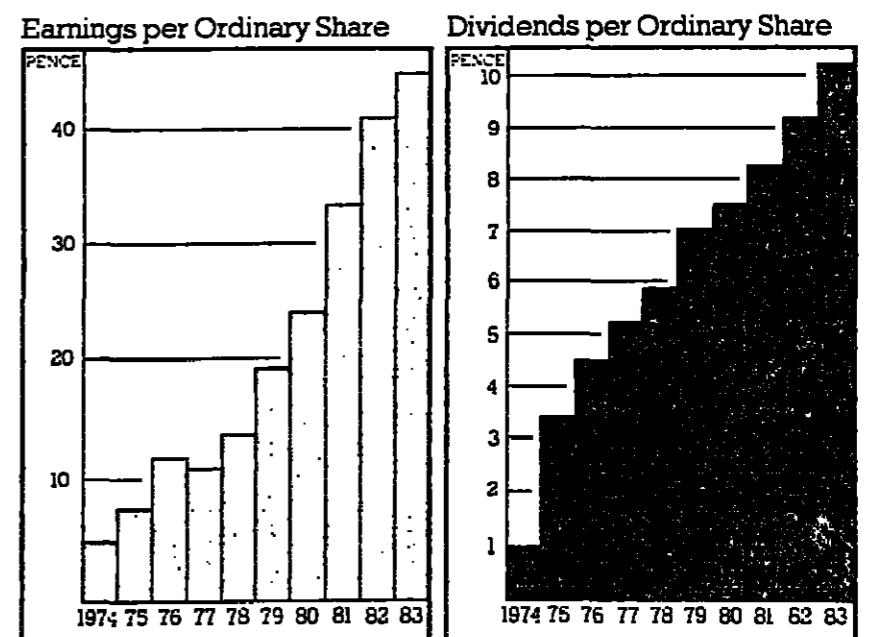
5. During the 28 week period ended 7th April 1984 expenditure on fixed assets was £87.3m (1983: £71.2m adjusted).

6. The results for the half year have not been audited. The figures for the year to 30th September 1983 have been extracted from Accounts which have been filed with the Registrar of Companies and contain an unqualified audit report.

Walter Lawrence

Another year of real growth

- * 1983 profits up 17.5% to record level of £2.75 million.
- * Total dividend increased for tenth successive year—now 10.25p per share.
- * Pressure on contracting industry margins should be countered by profits from housing and manufacture.



Copies of the Annual Report are available from The Secretary, Walter Lawrence PLC, Lawrence House, Sawbridgeworth, Hertfordshire CM21 8LX.

Construction Housebuilding Manufacturing and Engineering

UK COMPANY NEWS

Plessey tops £176m: rules out bid approach to BAe

Plessey had never considered making a bid approach to British Aerospace... The directors report that the group's telecommunications side operating profits rose from £87.53m to £76.45m...

Extel rises 75% to record £10.61m

A SEVENTH successive record year for Extel Group, the specialist news agency with interests in communications, printing, publishing, information services and computer systems...

Minster Assets advances to £11.7m

HIGHER TAXABLE profits of £11.7m, against £11.6m were achieved by Minster Assets in calendar 1983 despite a sharp £3.68m rise to £9.08m in underwriting losses on motor, fire and accident insurance...

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange... FUTURE DATES: Edinburgh Financial Trust, May 29; Fleming American Inv., June 12...

leaving a retained balance of £3.7m (£4.62m). The current price war for UK motor insurance business has been going on for about three years now and this has hit deeply into Minster's operations...

Gomme back in black as recovery continues

THE RECOVERY programme initiated by G-Plan furniture manufacturers in 1982 gathered more pace in the six months to January 27 1984 with the group bouncing back from losses of £489,000 to pre-tax profits of £554,000...

There was a surplus for the year of £8.55m (£8.64m) after tax of £5.17m (£5.06m), extraordinary items (balanced by a reserve transfer) of £29,000 (£145,000), and a £2.12m (£2.51m) transfer from investment reserve of Minster Insurance group after minorities...

There is no change in the dividend with the directors recommending an unchanged final payment of 2.55p, which holds the price at 125p and a higher interest charge. On turnover of £40.45m, against £36.94m, the company achieved a £180,000 profit advance to £1.8m after interest payable some £1.05m higher at £2.44m...

Operating margins continued to improve at Deritend Stamping in the year to end-February 1984 and resulted in a £1.43m profit in the year, compared with a loss of £213,000 last year...

Poor end to year at A. Goldberg

GROWTH IN taxable profits at A. Goldberg & Sons was contained to just over 10 per cent in the 53 weeks to end-March 1984 by a disappointing fourth quarter...

There is, however, still considerable interdependence between our credit card and retailing activities... The very significant change in Goldberg's market position is a small percentage of what the real benefits will take some time to show through, he says.

The second (the subscription and option agreement) has been entered into with a view to developing a longer-term relationship and provides for the issue of 100,000 ordinary shares in the company to Frupp and Mr Sandeman in return for a 26 per cent shareholding in FS and the grant to FS of options to subscribe a further 150,000 ordinary shares at 40p per share.

Deritend finishes with £1.4m profit

Operating margins continued to improve at Deritend Stamping in the year to end-February 1984 and resulted in a £1.43m profit in the year, compared with a loss of £213,000 last year...

Upton's costs 'materially lower'

IN THE circular giving details of its rights issue, the board of E. Upton & Sons states that as a result of earlier actions, costs of the issue are materially lower compared with the same period last year...

The second (the subscription and option agreement) has been entered into with a view to developing a longer-term relationship and provides for the issue of 100,000 ordinary shares in the company to Frupp and Mr Sandeman in return for a 26 per cent shareholding in FS and the grant to FS of options to subscribe a further 150,000 ordinary shares at 40p per share.

The exercise of the options as to 100,000 ordinary shares is conditional upon either the company achieving (before tax and extraordinary items) targets of approaching break-even in 1984, and a profit of not less than £250,000 in 1985, or an overall profit of not less than £200,000 in the years 1984 and 1985.

Table with 2 columns: 1983 and 1982, with sub-columns for £000 and % Increase. Rows include Turnover, Profit Before Tax, Profit Attributable, Earnings per Ordinary Share, and Dividend per Ordinary Share.

Record Results from Rotaflex

Table with 4 columns: YEAR TO 31 DECEMBER, 1983, 1982, and % Increase. Rows include Turnover, Profit Before Tax, Profit Attributable, Earnings per Ordinary Share, and Dividend per Ordinary Share.

"Challenging targets have been set for 1984 and so far we are on course to meet them. Providing the prevailing economic climate is maintained I expect performance to improve further this year"

Michael Frye Executive Chairman

THE ROTAFLEX BUSINESSES

Copies of the Annual Report and Accounts may be obtained from The Secretary, Rotaflex p.l.c., Concord House, 241 City Road, London EC1V 1JD

NOTICE OF ISSUE ABRIDGED PARTICULARS

Application has been made to the Council of The Stock Exchange for the undermentioned Stock to be admitted to the Official List.

Portsmouth Water Company OFFER FOR SALE BY TENDER OF £2,000,000

7 1/2 per cent. Redeemable Preference Stock, 1987 (which will mature for redemption at par on 30th June, 1987) Minimum Price of Issue £99 1/2 per £100 Stock

The preferential dividends on the Stock will be at the rate of 7 1/2 per cent. per annum and no tax will be deducted therefrom. Under the imputation tax system, the associated tax credit at the present rate of advance corporation tax (30/70ths of the distribution) is equal to a rate of 3 1/4 per cent. per annum.

Tenders for the Stock must be made on the Form of Tender supplied with the Prospectus and must be accompanied by a deposit of £10 per £100 nominal amount of Stock applied for and sent in a sealed envelope to Lloyds Bank Plc, Registrar's Department, Issues Section, 111, Old Broad Street, London EC2N 1AU marked "Tender for Portsmouth Water Stock", so as to be received not later than 11 a.m. on Thursday, 31st May, 1984.

Although turnover at Weeks Assets advanced by 14 per cent to £10.31m in the year to January 29 1984 profits at the pre-tax level fell by £21,336 to £130,198 and the dividend for the year is being cut from 0.7p to 0.4p net per 10p share.

income from completed property, £19,000 (£25,000). Interest payable was down from £207,000 to £5,000—there were hotel trading losses of £94,000 last time. Group turnover plunged from £203,000 to £27,000. Tax was unchanged at £700,000.

considered in the second half. The company has sold its warehouse site at Seely Wood, Sheffield for £169,000 cash (book value £187,000). The property has been vacant for over a year and the realisation will further reduce borrowings, the directors state.

Yearling bonds totalling £18.75m at 10 1/2 per cent, redeemed on May 1985, have been issued this week by the following local authorities:

Consultants (Computer & Financial), a USIT stock, is experiencing installation problems with a system being implemented by its Hong Kong subsidiary.

Handwritten note at the bottom of the page: "مركز ابحاث التمويل"

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Friday May 25 1984

NEW YORK STOCK EXCHANGE 32-34
AMERICAN STOCK EXCHANGE 33-34
U.S. OVER-THE-COUNTER 34, 42
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LONDON STOCK EXCHANGE 35-37
UNIT TRUSTS 38-39
COMMODITIES 40 CURRENCIES 41
INTERNATIONAL CAPITAL MARKETS 42

WALL STREET

Bank fears provoke further falls

A SUDDEN spate of rumours of fresh problems in the banking world sent Wall Street stocks into a steep decline yesterday, writes Terry Byland in New York.

Stock prices went into a free fall at mid-session, when the general uncertainty caused buyers to withdraw from the scene leaving market analysts to speculate on where the next support level might lie.

At early afternoon, the Dow Jones 1,100 threshold was under pressure as increased selling pushed turnover levels above those of recent weeks but prices rallied from their lowest levels.

The Dow Jones industrial average closed 10.37 down at 1,103.43.

In the credit markets, there was a renewed flight to quality, as investors sold banking certificates of deposit and bought Treasury bills. The signs of stress spread throughout the range of the bond market, where losses ranged from 1/4 at the short end to three quarters of a point in the longer dated issues.

Banking stocks fell heavily, despite firm denials from Manufacturers Hanover Trust, of rumours that the bank had struck funding difficulties. The stock market resounded to rumours of

problems at the other major banks but none stood up to the close scrutiny given them by banking industry analysts. Some bank stocks steadied at mid-session.

More than half a million shares in Manufacturers Hanover were sold during the morning, taking the stock down by 5 3/4% to \$27 1/2. The bank's certificates of deposit continued to require a yield of about five basis points above other bank paper.

Also under heavy pressure again was Continental Illinois, 3 1/2% off at a new low of \$8.

Other bank stocks to take punishment were Chase Manhattan, 1 1/2% down at \$40 1/4; Bankers Trust, 1 1/4% lower at \$38 1/4; and Irving Bank, 2% down at \$54. J.P. Morgan, which took the lead in the bank

The closing Wall Street report, updated U.S. market monitors and late Canadian prices were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.

We regret the New York stock price listing in this edition is incomplete due to a transmission failure.

rescue package for Continental Illinois, dipped \$1 to \$8 1/4. Wells Fargo, which last year disclosed a sharp increase in non-performing assets, fell 1 1/4% to \$34 1/4.

The nervousness over the health of major financial institutions spread to the thrifts, or savings and loans companies. Financial Corporation of America, the largest of the thrifts and regarded as heavily geared, dropped 1 1/4% to \$14 1/4. Great Western Financial fell 5/8% to \$18 and Golden West Financial at \$11 1/4 shed 5/8%. Also weak was Federal National

Mortgage, or Fannie Mae, the federally sponsored but privately owned institution which is the major supplier of mortgage funds in the U.S. At \$12 1/4, Fannie Mae lost 5/8%.

The banking worries overwhelmed all other considerations in the stock market but another heavy round of losses in airline issues reflected continued concern over the conflict in the Gulf.

Also undermining confidence was the expectation of news later in the day of another sharp rise in M1 money supply, which would strengthen fears of a tightening of Federal Reserve credit policies. The credit markets believe that the Fed's hand has been stayed only by the problems in the banking world.

IBM shed 5/8% to \$107 1/4. General Electric was 3/4% off at \$52 1/4. Ford lost 5/8% to \$35 1/4 and General Motors 5/8% to \$62 1/4.

Among technology stocks, Texas Instruments lost 1 1/4% to \$136 1/4, Burroughs 1 1/4% to \$48 1/4 and Digital Equipment, number two to IBM in the industry, fell 1 1/4% to \$86 1/4.

Among bid situations, Esmark put on 3/4% to \$58 1/4 in brisk turnover after Bearrice Foods lifted its offer for the equity to \$60 a share. At \$28 1/4, Bearrice eased 3/4%. Phibro-Salomon dipped 5/8% to \$28 as the market pondered the possible sale to staff of its commodity trading operations.

The flight towards cash gathered pace, taking discounts on three-month Treasury bills down to 9.69 per cent, a drop of 28 basis points. Even six-month bills were relatively unwanted, with the rate dipping only 10 basis points to 10.42 per cent. Firmness in the federal funds rate, which brought \$1.5bn in customer repurchase arrangements from the Fed when the rate touched 10 1/4% per cent, was a secondary factor yesterday.

Heavy falls in long-dated Treasury bonds disclosed the markets' fears of forced selling by retail holders, as well as the urge to move towards near cash instruments. The key 2014 long bond failed to sustain a rally and showed a net fall of three quarters of a point at 96 3/4%.

EUROPE

Talks keep Frankfurt moving up

THE START of negotiations in the West German labour dispute over a shorter working week provided Frankfurt with sufficient impetus to reverse the previous session's tone of uncertainty although many investors decided that the sidelines were the safest place.

Car makers, the sector hardest hit by the metalworkers' strikes, benefited, with VW ahead by DM 4.50 at DM 195, while Daimler gained a further DM 2.50 to DM 575 on consideration of results. Porsche rebounded DM 6 to DM 1,025.

In engineering, KHD put on DM 2.50 to DM 249 after higher 1983 profits and forecast of sharply higher sales for the current year with at least an unchanged dividend of DM 6.

Kaufhof led stocks down with a DM 2.70 fall to DM 235.10 despite a boost in turnover for the first four months and an intention to maintain a DM 7.50 payout. Karstadt lost DM 3 to DM 250.50, while Herten eased 50 pf to DM 194.50.

Banks were mixed with Commerzbank 50 pf off at DM 188.50, Deutsche Bank DM 1 up at DM 384.50 ex-dividend and BHF Bank DM 1 lower at DM 270 after reporting a 3.3 per cent rise in operating profit for the first four months.

Bonds were barely steady as the Bundesbank bought DM 3.4m in paper after selling DM 24.50m worth on Wednesday. The Commerzbank index finished the day 2.1 up at 1,017.8.

The new monthly trading account was finally felt in Paris, although the upsurge of the dollar against the franc and the strong performance in Tokyo contributed to the buoyancy.

In foods, Pernod advanced Ffr 9 to Ffr 781, while retailer Carrefour rose Ffr 14 to Ffr 1,699. Legrand added a further Ffr 59 to Ffr 1,928, and L'Oréal held a Ffr 60 gain at Ffr 2,470.

Dumez in constructions continued to lose ground with another fall of Ffr 2 to Ffr 686, although Lafarge Coppée erased some of its recent setbacks with a Ffr 10.60 boost to Ffr 363.

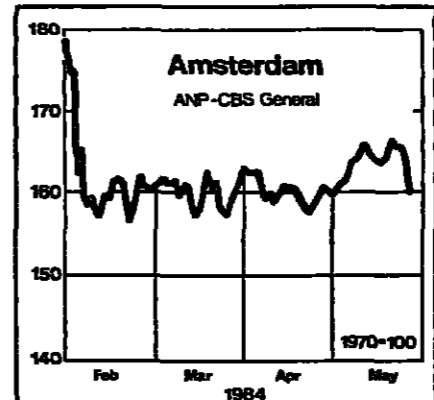
Dutch institutional and foreign invest-

tors took to the sidelines as Amsterdam was weighed down by Wall Street's recent performance. The ANP-CBS General index lost 1.4 to 161.3.

The insurance sector moved against the trend as Amev, up Ffr 3 at Ffr 151, reported higher than expected first quarter results.

Banks were weak with ABN down Ffr 5.50 to Ffr 343 and NMB off Ffr 2.80 to Ffr 136.50.

In internationals, Royal Dutch, 80 cents ahead in early trading, slipped Ffr 1.80 to Ffr 159 as it announced receipt of tenders for 94 per cent of Shell Oil. The later loss was attributed to the firmer dollar.



Bonds were steady to slightly lower in thin trading.

This volume in Brussels and caution over sluggish foreign markets forced many sectors mixed, although the stock exchange index edged up 1.05 to 154.11.

Petrofina, which moved ex-dividend on Tuesday, managed to add a further Ffr 150 to Ffr 7,260, with other oil related issues rising in sympathy.

Banking issues edged higher in Zurich with Bank Leu SwFr 40 up at SwFr 3,940 thus reversing some of its losses since the banking secrecy referendum.

Bonds were mixed in thin trading amid interest rate fears.

Madrid turned lower, with food and construction issues leading the way, while a late retreat in Milan trimmed some but not all of the early gains. Montedison responded to group forecasts of breaking even this year with a L.8 rise to L310.

Volvo, SKr 9 higher at SKr 475, was the bright performer in a mixed to lower Stockholm while Saab-Scania put on SKr 1 to SKr 393 as the group introduced a new range of cars.

TOKYO

Swift turn back to upward path

THE LOSING streak in Tokyo share prices halted yesterday, with the Nikkei-Dow average scoring its fourth largest gain in history, writes Shigeo Nishiwaki of Jiji Press.

The 225-issue indicator rocketed 228.26 to 10,251.72, with gains outnumbering losses by a wide margin of 532 to 156 and 131 shares remaining unchanged. Trading was slow, totalling 262.35m shares compared with 246.26m the previous day. Unitika was volume leader, with 13.44m shares changing hands, followed by Asahi Chemical with 11.53m, and Daiichi Seiyaku with 7.79m.

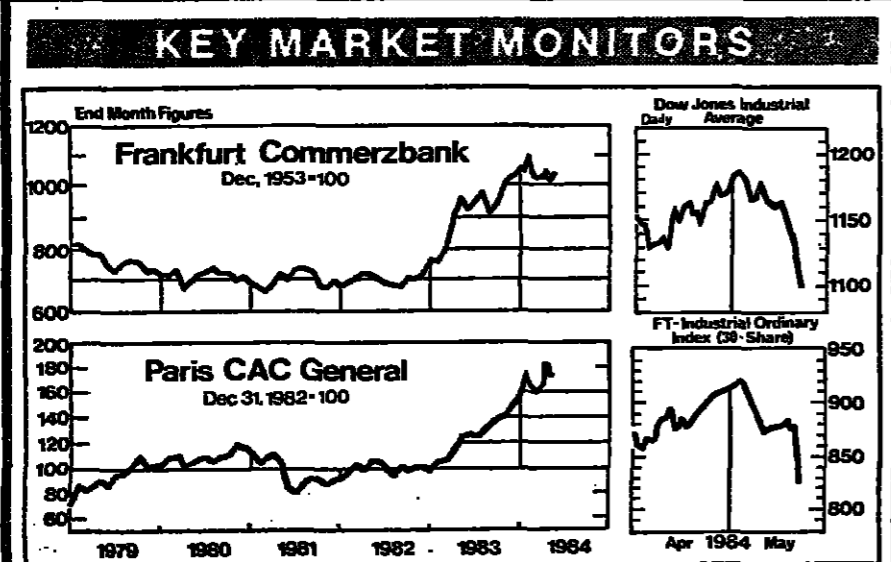
The Nikkei-Dow, after hitting an all-time high on May 4, had lost 1,166 points or 10.4 per cent by Wednesday. Investors apparently judged that stock prices had bottomed out, as the index had managed to finish above 10,000 the preceding two days after tumbling below that level at one stage.

Investors were further encouraged by the firmness of Japanese stocks like Matsushita Electric Industrial on Wall Street and the yen's rally against the U.S. dollar in Tokyo.

Many securities houses considered yesterday's only a technical rally. Blue chips were sought in the morning, but buying later shifted to speculative drugs and non-ferrous metal issues. Brokers took this to indicate that investors also were not confident of a continued rise.

As buying of electricals, car makers, precision instruments and non-ferrous metals dwindled, investor interest shifted to pharmaceuticals. Yamanouchi and Muchida scored the day's limit gains of Y200 and Y300 respectively, at Y1,450 and Y3,210. Daiichi Seiyaku advanced Y110 to Y1,260.

Despite the yen's sharp rally against the dollar, trading remained slow on the bond market. Institutions continued to watch U.S. interest rate movements cautiously and neither bought nor sold actively. The yield on 7 1/2 per cent government bonds maturing in January 1983 dipped from 7.40 per cent the previous day to 7.365 per cent.



STOCK MARKET INDICES			
	May 24	Previous	Year ago
NEW YORK			
DJ Industrials	1103.43	1113.80	1219.04
DJ Transport	461.32	468.11	535.23
DJ Utilities	123.55	124.71	130.66
S&P Composite	151.24	153.15	165.54
LONDON			
FT Ind Ord	826.4	847.6	705.2
FT-SE 100	1051.6	1075.4	924.0
FT-A All-share	498.61	526.8	433.47
FT-A 500	542.89	553.19	471.05
FT Gold mines	633.7	642.8	631.0
FT-A Long gilt	10.89	10.67	10.45
TOKYO			
Nikkei-Dow	10,251.72	10,023.46	8563.51
Tokyo SE	802.57	787.40	630.85
AUSTRALIA			
All Ord.	689.9	684.4	605.1
Metals & Mins.	457.8	480.7	538.5
AUSTRIA			
Credit Aktien	54.86	54.81	57.83
BELGIUM			
Belgian SE	154.11	153.06	121.91
CANADA			
Toronto			
Metals & Mins	1902.0	1915.6	—
Composite	2192.8	2206.1	2417.2
Montreal			
Portfolio	105.72	106.28	—
DENMARK			
Copenhagen SE	186.06	187.68	139.78
FRANCE			
CAC Gen	173.1	173.3	124.3
Ind. Tendence	108.8	107.7	78.1
WEST GERMANY			
FAZ-Aktien	349.98	349.40	311.24
Commerzbank	1017.8	1015.8	930.1
HONG KONG			
Hang Seng	928.00	912.15	877.68
ITALY			
Banca Comm.	210.19	208.70	189.79
NETHERLANDS			
ANP-CBS Gen	159.9	161.3	125.0
ANP-CBS Ind	127.0	128.3	102.3
NORWAY			
Oslo SE	275.49	263.76	166.51
SINGAPORE			
Straits Times	949.39	926.57	913.39
SOUTH AFRICA			
Gold	973.9	986.3	904.6
Industrials	1053.8	1064.0	948.6
SPAIN			
Madrid SE	119.77	119.92	116.31
SWEDEN			
J.S.P.	1441.94	1442.69	1435.81
SWITZERLAND			
Swiss Bank Ind	367.3	367.2	322.4
WORLD			
Capital Int'l	177.6	177.9	175.6
GOLD (per ounce)			
London	\$377.00	\$377.75	
Frankfurt	\$375.50	\$378.75	
Zurich	\$375.50	\$378.75	
Paris (filing)	\$374.89	\$378.35	
Luxembourg (filing)	\$376.25	\$379.25	
New York (May)	\$378.50	\$378.80	

LONDON

Depressing session is ensured

RUMOURS of financial difficulties for another major U.S. bank, Manufacturers Hanover, were subsequently denied but ensured another thoroughly depressing trading session in London financial markets yesterday.

Government stocks tumbled sharply and leading equities followed. The FT Industrial Ordinary index recorded its second-biggest one-day fall ever with a loss of 21.2 at 826.4, making a slump of 49.8 over the last three days.

Long-dated gilts opened up to 1/4 lower. The initial markdown, however, failed to deter some heavy selling and falls in the longs stretched to more than two points at the close while losses in the shorts ranged to 1 1/4.

Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36-37.

AUSTRALIA

A FIFTH successive Sydney decline took the market to a six-month low as a mid-session rally quickly dwindled.

BHP lost an early gain after further discouraging reports from the Timor Sea oil well in which it is leading exploration, finishing unchanged at AS9.90.

HONG KONG

DEALINGS remained quiet in Hong Kong but a fairly uniform array of muted gains was sufficient to take the Hang Seng index 10.85 upward at 923.00.

Strength was to be found in China Light, up 20 cents at HK\$11.20; Jardine Matheson and Bank of East Asia, each 30 cents higher at HK\$11 and HK\$21 respectively; and Hongkong Land, 5 cents better at HK\$33.10.

SOUTH AFRICA

LOSSES were again incurred by Johannesburg golds, leaving them at or near day's lows and clipping R3 apiece off Buffels at R75.50 and FS Geduld at R46.50.

Anglo-American's increased stake in Gold Fields of SA left the former mining house 10 cents easier at R21.60 but the latter 20 cents firmer at R27.70.

CANADA

GOLDS were again the weakest area in Toronto, but losses in sectors such as oil and transport issues were not very far behind in a generally dispirited day.

Banks in Montreal, although marked lower, held up reasonably well against the worries surrounding their U.S. counterparts.



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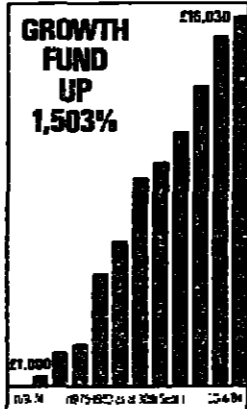
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Significant Annual Growth From Each Fund

The Same Successful Investment Philosophy

The investment expertise of the Perpetual Group has in the case of each of the four funds under their management for every year of their existence, achieved a significant rise in the value of units, making Perpetual one of Britain's most successful Fund Managers.

The Perpetual Group Offshore Growth Fund has the same single minded objective - maximum capital growth - and is based on the same immensely successful investment philosophy as its UK counterpart. The Managers invest anywhere in the world in any company, sector of industry or commerce in order to achieve this objective.



Perpetual Group Offshore Growth Fund

Please send me a copy of the Perpetual Group Offshore Growth Fund Managers' Interim Report.

TO: Perpetual Unit Trust Management (Jersey) Limited, PO Box 459, Commercial House, Commercial Street, St Helier, Jersey, Channel Islands.
Tel: Jersey (0534) 74517 & 72177.
Telex: 4192097 SCTCIG.

NAME (Mr/Ms/Ms)
ADDRESS

Perpetual Group Offshore Growth Fund Managers

Perpetual Group Offshore Growth Fund Managers

Prices at 3pm, May 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for 12 Month High/Low, Stock, Div. Yld, P/E, Stk, and various price points.

World Value of the pound every Tuesday in the Financial Times

International Capital Markets Review Every Monday the Financial Times publishes a review of the previous week's activity in the international bond markets.

In addition the Financial Times publishes a monthly summary of Quotations and Yields from the Association of International Bond Dealers.

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Large table of stock market data including columns for 12 Month High/Low, Stock Name, Dividend, Yield, P/E Ratio, and Closing Price. Includes sub-sections like C-C-C, E-E-E, F-F-F, G-G-G, H-H-H, I-I-I, J-J-J, K-K-K, L-L-L, M-M-M, N-N-N, O-O-O, P-P-P, Q-Q-Q, R-R-R, S-S-S, T-T-T, U-U-U, V-V-V, W-W-W, X-X-X, Y-Y-Y, Z-Z-Z.

Continued on Page 34

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WORLD STOCK MARKETS

Table of world stock markets including Austria, Germany, Norway, Australia, Japan, Hong Kong, Singapore, South Africa, Canada, and various international indices.

OVER-THE-COUNTER

Table of over-the-counter market prices for various stocks, including Nasdaq national market and 2.30pm prices.

LONDON

Table of London stock market prices, including chief price changes and various stock listings.

CANADA

Table of Canadian stock market prices, including Toronto prices at 2.30 pm and various stock listings.

MONTREAL

Table of Montreal stock market prices, including closing prices for May 23 and various stock listings.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Table of American stock exchange closing prices, including 12-month high/low, 100-day moving average, and various stock listings.

NEW YORK-DOW JONES

Table of New York-Dow Jones indices, including Standard and Poors, and various market indicators.

NEW YORK ACTIVE STOCKS

Table of New York active stocks, including Thursday trading volume, price changes, and various stock listings.

INDICES

Table of various market indices, including Standard and Poors, and other financial metrics.

MARKET GILL

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FT LONDON SHARE INFORMATION SERVICE



BRITISH FUNDS

Shorts (Lives up to Five Years)

Table listing various British funds with columns for High, Low, Stock, Price, and Yield.

Five to Fifteen Years

Table listing British funds with 5-15 year maturities.

Over Fifteen Year

Table listing British funds with over 15 year maturities.

Undated

Table listing undated British funds.

Index-Linked

Table listing index-linked British funds.

Corporate Loans

Table listing corporate loans.

Commonwealth and African Loans

Table listing commonwealth and african loans.

Loans

Table listing various loans.

Public Board and Ind.

Table listing public board and industrial shares.

Financial

Table listing financial shares.

Foreign Bonds & Rails

Table listing foreign bonds and rails.

AMERICANS

Table listing American stocks with columns for High, Low, Stock, Price, and Yield.

BEERS, WINES - Cont.

Table listing beer and wine stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building industry, timber, and roads stocks.

DRAPERY & STORES - Cont.

Table listing drapery and stores stocks.

ENGINEERING - Continued

Table listing engineering stocks.

CANADIANS

Table listing Canadian stocks.

BANKS, HP & LEASING

Table listing bank, HP, and leasing stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building industry, timber, and roads stocks.

ELECTRICALS

Table listing electrical stocks.

AMERICANS

Table listing American stocks.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks.

DRAPERY AND STORES

Table listing drapery and stores stocks.

ENGINEERING

Table listing engineering stocks.

HOTELS - Continued

Table listing hotel stocks.

INDUSTRIALS (Miscel.)

Table listing industrial stocks.

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Handwritten note: "Vehicle 1.2.84"

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

PROPERTY—Continued

Table of property stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

DAIWA BANK advertisement with logo and contact information for London and other branches.

MINES—Continued

Table of mining stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

Commercial Vehicles

Table of commercial vehicle stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

SHIPPING

Table of shipping stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

SOUTH AFRICANS

Table of South African stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

Tins

Table of tin stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

TEXTILES

Table of textile stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

TOBACCO

Table of tobacco stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

PLANTATIONS

Table of plantation stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

INSURANCES

Table of insurance stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

PROPERTY

Table of property stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

TOBACCO

Table of tobacco stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

FINANCE, LAND, etc

Table of finance, land, and other stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

MINES

Table of mining stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

LEISURE

Table of leisure stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

PROPERTY

Table of property stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

OIL AND GAS

Table of oil and gas stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

CENTRAL AFRICAN

Table of central African stocks including companies like British Airways, British Petroleum, and various manufacturing firms.

Regional & Irish Stocks, Options—3-month call rates, and other financial data sections.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Growth, Abbey Income, etc., with their respective managers and details.

Table listing unit trusts under the heading 'British Equities', including British Equities Unit Trust, British Equities Growth, etc.

Table listing unit trusts under the heading 'British Income', including British Income Unit Trust, British Income Growth, etc.

Table listing unit trusts under the heading 'British Property', including British Property Unit Trust, British Property Growth, etc.

Table listing unit trusts under the heading 'British Overseas', including British Overseas Unit Trust, British Overseas Growth, etc.

Table listing unit trusts under the heading 'International', including International Unit Trust, International Growth, etc.

Table listing unit trusts under the heading 'Specialist', including Specialist Unit Trust, Specialist Growth, etc.

Table listing unit trusts under the heading 'Other', including Other Unit Trust, Other Growth, etc.

FT UNIT TRUST INFORMATION SERVICE

Main table for FT Unit Trust Information Service, listing various unit trusts and their performance metrics.

Table listing insurance companies and their details, including AA Friendly Society, Abbey Life Assurance, etc.

INSURANCES

Table listing insurance products and services, including AA Friendly Society, Abbey Life Assurance, etc.

Table listing insurance companies and their details, including AA Friendly Society, Abbey Life Assurance, etc.

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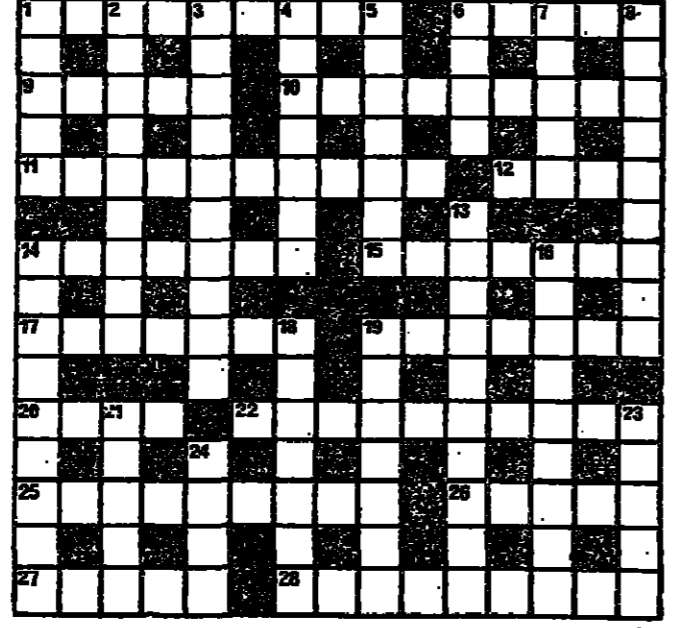
Table listing insurance companies and their details, including AA Friendly Society, Abbey Life Assurance, etc.

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F.T. CROSSWORD PUZZLE No. 5,425

- ACROSS
1 Golly! a bit off, this farm-batter (5-4)
6 Hazards of drivers and divers (5)
9 County loses courage (5)
10 Last-mentioned of the Helston sextet? (9)
11 Extras for modern theatres (5, 5)
12 Softwood trade (4)
14 Oddly-coloured dog's day in Berlin, perhaps? (7)
15 Pettion made for what, in France, has to sleep outside (7)
17 This pest could be anyone right at the end (7)
19 Chinese detective and assistant in "Song of Paris" (7)
20 Brothers and sisters in the same place on board (4)
22 Pre-eminent dealer-dealer in horoscopes (10)
23 Describing our forefathers from Lancaster (9)
24 Sign of severe cold? Here's topping stuff (5)
27 Two books of sovereigns (5)
28 Last we see of the Nocturnal Jaguar? (4-5)



- DOWN
1 Takes over domestic vessels (6)
2 Speaking of royalists as loyalists? (9)
3 Wild-eyed satyrs of the recent past (10)
4 Carmen, for example, needs tip of cigarette to work (7)
5 He hopes to find a place for us, of course (7)
6 Sudden misfortune—curse! (4)
7 Sodium I have made green (5)
8 e.g. the fair-bound Simon confused mile-post north (9)
13 On centre-line, evenly balanced—could be a riot inside (10)
14 Nursery-climb for Jack (9)
15 Mithrasman leaving relaxed and cheerful (4-5)
16 One finishing post (7)
18 Floral envelope firm to get under way with a following (7)
21 English philosopher and well-known friar, we hear (5)

Solution to Puzzle No. 5,424

Table listing insurance companies and their details, including AA Friendly Society, Abbey Life Assurance, etc.

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INSURANCE & OVERSEAS MANAGED FUNDS

Table listing various insurance and managed funds, including S.T. Management Ltd, Black Horse Life Ass. Co. Ltd, British National Life Assurance Co. Ltd, and others, with columns for fund names and values.

Table listing various insurance and managed funds, including Lloyd's Life Assurance, Property Growth Assur. Co. Ltd, Standard Life Assurance Company, and others, with columns for fund names and values.

Table listing various insurance and managed funds, including Bank of America International S.A., Barclays Unilever International, and others, with columns for fund names and values.

Table listing various insurance and managed funds, including Humber Pacific Fund Mgmt. Ltd, Richmond Life Ass. Ltd, and others, with columns for fund names and values.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas managed funds, including Guinness Fund Managers (Ireland) Ltd, and others, with columns for fund names and values.

NOTES
Prices are in pence unless otherwise indicated and are based on the previous day's closing price unless otherwise stated. All prices are in US dollars. Yield % (shown in italics) refers to the yield on the fund's assets as at the end of the reporting period. Dividends are shown in pence unless otherwise stated. All prices are in US dollars. Yield % (shown in italics) refers to the yield on the fund's assets as at the end of the reporting period. Dividends are shown in pence unless otherwise stated.

